As of 11 a.m. ET **DJIA** 10691.95 ▲ 0.78% **FTSE 100** 5513.14 ▲ 0.34% **Nikkei 225** 10764.90 ▼ 0.83% **Shanghai Comp.** 3246.87 ▲ 0.30% **Hang Seng** 21677.98 ▲ 1.02% **Sensex** 17486.06 ▼ 0.88% **S&P/ASX 200** 4861.23 ▼ 1.01%

**Aid to Haiti speeds up, but delays still plague effort**

IN DEPTH: EARTHQUAKE IN HAITI 16-17

**2010 Index of Economic Freedom: Hong Kong No. 1**

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THE WALL STREET JOURNAL.

# THE WALL STREET JOURNAL.

VOL. XXXIV NO. 100 (India facsimile Vol. 1 No. 161) ASIA Wednesday, January 20, 2010

DOWJONES A NEWS CORPORATION COMPANY asia.WSJ.com

# JAL opens painful new chapter

By Mariko Sanchanta And Yoshio Takahashi

TOKYO—**Japan Airlines** Corp. begins a painful three-year restructuring on Wednesday that will significantly shrink the carrier's operations, having filed one of the country's largest-ever bankruptcy petitions.

A pillar of Japan Inc. founded in 1951 to help the country rise from the ashes of World War II, Asia's largest airline by revenue sought court protection on Tuesday to grapple with a debt load of $25 billion, a level well above its cash flow.

The former flag carrier will be aided by a $10 billion lifeline from the government in the form of capital injections and credit and will unload billions of dollars in losses across an already weak Japanese economy.

Undone by excessive spending and its government ties, the airline's restructuring promises to have an effect not only on its closest Japanese rival but across the aviation industry.

Bureaucrats strong-armed Japan's banks into forgiving more than $8 billion in outstanding loans, and retirees and employees accepted more than $11 billion in pension cuts. Shareholders will be wiped out when the stock, once considered one of Japan's bluest of blue chips, is delisted from the Tokyo Stock Exchange on Feb. 20.

Japan's new government played a big role in steering the company toward bankruptcy protection and portrayed the moves—despite the new subsidies—as an early sign of the way economic policy making is changing since the long-ruling Liberal Democratic Party lost power four months ago. The LDP extended repeated bailouts to JAL in recent years without forcing big changes in the company. The new, ruling Democratic Party of Japan says it favors greater transparency and less spending on behalf of big business.

"I think [the LDP] put off more-fundamental reforms and they continued with piecemeal measures," Transport Minister Seiji Maehara said at a news conference Tuesday evening. "This is why [JAL] ended up in court procedures."

JAL's chief executive—who resigned apologetically Tuesday as part of restructuring deal—blamed the global financial crisis, which has hit particularly hard in a country that never fully recovered from its own burst bubble two decades ago. "The impact of the Lehman shock was quite big," said Haruka Nishimatsu, referring to the onset of the global financial crisis in 2008. "We didn't understand how much exposure we should have to international flight services. We couldn't respond to a rapid change, as a result."

The implications of the bankruptcy and bailout will ripple through the aviation market in Japan, in Asia and globally. **All Nippon Airways** Co., JAL's smaller and financially sound rival, on Tuesday accused the government of hindering free-market competition by providing JAL with a massive lifeline, a rare public criticism by one Japanese

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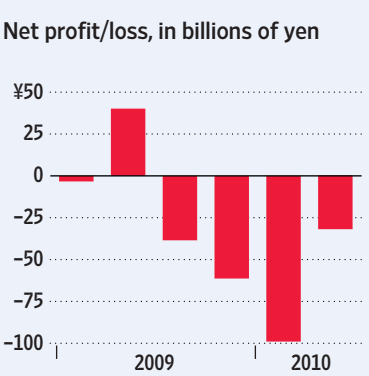
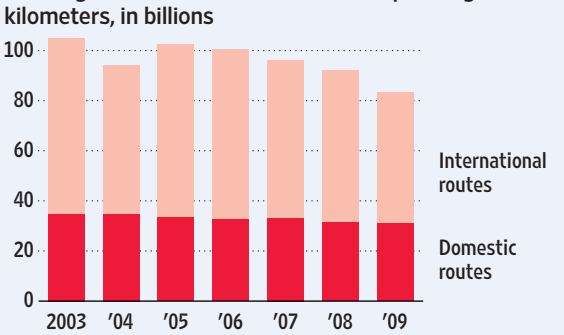
**Japan Airlines**




Net profit note: Fiscal years end March 31 of the year shown
Sources: the company; Capital IQ; Reuters (photo)

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■ Heard on the Street ..... 36

# Kraft wins over Cadbury

By Dana Cimilluca, Jeffrey McCracken and Ilan Brat

**Kraft Foods** Inc. on Tuesday clinched a deal to acquire **Cadbury** PLC for £11.9 billion ($19.44 billion), in a trans-Atlantic tie-up that would end the nearly 200-year independence of Britain's most famous candy company.

After more than four months of public sparring that followed Kraft's hostile-takeover approach to the U.K. confectioner, Cadbury's board accepted the U.S. food giant's offer as Kraft relented to the demands of Cadbury management and shareholders, raising its bid and significantly boosting the cash component.

Kraft agreed to pay 840 pence a share for Cadbury, as well as a 10-pence dividend. The revised offer is 500 pence in cash plus 0.1874 of a new Kraft shares for each Cadbury share, an increase from its original offer of 300 pence in cash and 0.2589 of a new Kraft share. Cash now makes up 60% of the offer; originally, it was just 40%.

Tuesday's deal unites Cadbury, which focuses solely on candy and traces its roots to 1824, with its larger and more-diversified U.S. counterpart. Kraft covets Cadbury in part because of the U.K. company's access to fast-growing developing markets such as India and Brazil.

The deal came as Kraft faced a deadline imposed by U.K. takeover authorities to make a final offer for Cadbury by the end of Tuesday. Cadbury had repeatedly rebuffed Kraft since the Northfield, Ill., company first publicly announced its offer in early September. At the time, it was valued at about $16.5 billion.

In recent days, many Cadbury shareholders had been vocal in their opposition to Kraft's cash-and-stock offer, which until the weekend was valued at about 770 pence a share. They might now be won over by the new offer, since many of the holders are hedge funds that bought Cadbury stock after Kraft put the company in play, and are only looking for a relatively small return.

The recommendation from Cadbury's board is also likely to make a big difference in persuading long-term Cadbury shareholders, many of them big U.K. institutional inves-

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■ Cadbury's Carr faces need to vindicate his rhetoric. ..... 20
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State of the U.S.

A year into the administration of President Barack Obama, a look at how America sees itself.
The Journal Report, 8-11

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# PAGE TWO

## What's News—

* * *

*Business & Finance*

■ **Citigroup's fourth-quarter loss** narrowed from a year earlier, but results continue to show the strains from the bank's massive portfolio of troubled loans. Citi also delivered an improvement in losses from consumer loans in the U.S., Asia and Latin America. **21**

■ **Google is delaying** the China launch of two cellphones that use its Android software, in a sign that its standoff with Beijing is affecting more than its Chinese search engine. **3**

■ **China's Premier Wen said** the country will maintain "reasonable and ample" money and credit supply in the first quarter, while moving to make macroeconomic policy more effective, signaling that Beijing is considering more closely the risks associated with its stimulus policies. **4**

■ **A U.N. agency said** global flows of foreign direct investment fell 39% in 2009, but will pick up modestly this year. **3**

■ **Health-care stocks soared** on hopes that U.S. health-care legislation will be softened, while Asian markets slid as investors awaited more U.S. earnings reports. **31**

■ **Euro-zone finance ministers** held Greece to its promise to turn around fiscal deficits that threaten the nation with a risk of losing creditworthiness and disrupting the common currency. **6**

■ **U.K. consumer prices rose** in December by their biggest amount since data recording began in 1997, after a temporary sales-tax cut a year ago, a fall in oil prices and early Christmas sales. **6**

■ **Hong Kong Disneyland's loss** narrowed in its fourth year of operation, helped by cost cutting and a slight rise in attendance. **23**

■ **Universal Parks joined** with a group of Korean investors who will try to raise about $3 billion for a resort in Seoul. **23**

Agence France Presse

Lalit Kumar Modi, left, Indian Premier League commissioner, speaks after the cricket player auction in Mumbai on Tuesday along with Mumbai Indians co-owner Neeta Ambani. West Indies allrounder Kieron Adrian Pollard, 22 years old, was the first and most expensive purchase of the auction, going to the Mumbai Indians for more than $750,000. The winning bid wasn't disclosed. Only 11 of the 67 players up for auction got successful bids.

■ **Credit Suisse will cut** planned 2009 senior staff bonuses in the U.K. by 30% to mitigate the impact of the country's one-time tax on payouts exceeding $40,842. **27**

■ **A split of Berkshire** Hathaway's Class B shares likely will mean higher trading volume, and that could attract bigger and faster-trading investors. **26**

■ **Australia will change** corporate insolvency laws to remove uncertainty created by a court case that blurred the line between debt and equity investors in some corporate collapses. **26**

■ **Arcelor-Mittal** and BHP Billiton are discussing combining their iron-ore interests in Liberia and Guinea. **22**

■ **Net foreign purchases** of long-maturity U.S. securities totaled $114.5 billion in November, the most since May 2007, according to a monthly Treasury report. **30**

■ **Nike launched** new golf clubs without Tiger Woods, a challenge for a company that built its sizable business around the superstar's image. **25**

■ **The Australian government** called on Vietnamese authorities to speed up questioning of two senior Qantas Airways employees so they can return to Australia. **22**

■ **Malaysian casino operator** Genting is studying larger investment opportunities in the U.S. **22**

■ **Concerns over euro-zone** sovereign debt continued to weigh on the euro, while disappointing global data triggered worries over the sustainability of an economic turnaround. **31**

* * *

*World-Wide*

■ **Rescue teams are recovering** a remarkable number of people rescued from collapsed buildings in the wake of the Haiti earthquake. A woman who had been buried for six days in the rubble of her home was pulled out alive Monday. **16-17**

■ **The U.S. welcomed** Afghan leader Karzai's new efforts to persuade Taliban militants to lay down their weapons. **5**

■ **China has curtailed** "Avatar" showings, in hopes of protecting local films from the blockbuster. **4**

■ **A former judge** on the Chinese Supreme Court was sentenced to life in prison for embezzlement and receiving bribes.

■ **Taiwan's top prosecutor** resigned over his handling of former President Chen's corruption scandal, after an official report said the prosecutor had inappropriate contact with a man alleged to have helped Chen launder money.

■ **Religious violence** between Christians and Muslims erupted again in central Nigeria, and the government called for more military units to enter the city where rioters have killed at least 27.

■ **Guinea's leaders appointed** opposition veteran Jean-Marie Dore as prime minister, a key step to prepare the nation to transition from military rule to democratic elections later this year.

## ONLINE TODAY

### Most read in Asia

1. Publisher, Apple Discuss Tablet
2. China Is Losing a War Over Internet
3. JAL Files for Bankruptcy
4. JAL Has Investors Rethinking 'Too Big to Fail'
5. JAL to Shrink Sharply Under Restructuring

### Most emailed in Asia

1. Why Investors Keep Fooling Themselves
2. Electric Bikes Terrorize China's Streets
3. U.S. Charities Seek Missing Staff
4. CapitaLand Bets on China Property
5. It's 50% Off...Well, Maybe 35%

### Digits

blogs.wsj.com/digits

Hewlett-Packard is testing out a new design of its TouchSmart technology that doesn't actually require customers to touch the screen.

### Continuing coverage

The fight for a U.S. Senate seat—and President Barack Obama's domestic agenda, WSJ.com

### China Real Time

blogs.wsj.com/chinarealtime

China's broader economy seems to have bounced back just fine, but in Shenzhen and Hong Kong, entrepreneurialism is struggling.

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WORLD NEWS

# Google delays two China cellphones

*U.S. giant says it would be 'irresponsible' to release new Android devices amid standoff with government*

By Aaron Back

BEIJING—**Google** Inc. said it is delaying the China launch of two cellphones that use its operating system, a clear sign that its standoff with Beijing is affecting parts of its business beyond its Chinese search engine, and that ramifications are spreading to its business partners.

■ Many companies keep quiet about cyber attacks.....24

Google's statement came on the eve of the planned launch of the two phones, made in partnership with **Samsung Electronics** Co. and **Motorola** Inc. and to be launched with Chinese mobile carrier **China Unicom (Hong Kong)** Ltd. Wednesday.

But due to uncertainty over the future of many Google offerings in China, the U.S. Internet company felt it would be "irresponsible" to release the phones in China at this time, said a person familiar with the situation. Google didn't say how long it is delaying the launch or give any other details.

The move is the latest fallout from Google's bombshell statement last week that it had suffered cyber attacks that it traced to China and would no longer censor its Chinese Web site, even if that meant halting operations in the country.

It shows Google may not be able to avoid impact from a shutdown of its Chinese search engine to its wide range of businesses, which also include the Chrome Web browser and a planned operating system for PCs as well as its partnership with a Chinese company to distribute music free online.

Phones running on Google's Android operating system vary widely.

Reuters

Neither Google nor Beijing appears to be backing down in their dispute. Above, a cleaner outside Google's China offices.

Some have software that is highly customized to the specification of handset partners and carriers, while others, such as Motorola's Droid phone, come packed with various Google features such as mobile search and Google maps.

The phones to be released in China Wednesday fell into the latter category, with several Google features whose future in China is now uncertain, the person said. Since many Chinese consumers may not be willing to buy a device that lacks the Google features, demand for the phones are now in doubt.

Motorola, whose business has suffered from a lack of blockbuster phones, had made a big bet on the Android operating system with a line of new phones. If Google and Beijing are headed for a serious rift, Motorola may find its new phones have a highly uncertain future in the world's largest cellphone market.

Carolyn Wu, a spokeswoman for Motorola in Beijing, didn't comment directly on the postponement but stressed that the company offers other phones in China, including some with China Unicom's rivals China Mobile Ltd. and China Telecom Ltd. She said, "We look forward to continuing to bring the power and promise of the best of these devices to China."

Samsung, which sells a wide range of phones in China running on several operating systems, could be less affected by the implications of Google's postponement of the two models. A Samsung spokeswoman said she didn't have comment.

A spokeswoman for China Unicom said she didn't have any immediate information on the matter.

China Mobile, the world's largest mobile carrier by users, has already released handsets based on the Android operating system and plans many more as part of its response to Unicom's launch of Apple Inc.'s iPhone in China. However, many of the phones are less closely integrated with other Google functions.

Separately, Google is investigating whether any of its employees in China played a role in the cyber attack, according to people familiar with the matter.

One of these people said checking for employee involvement was part of the normal course of the investigation. Another person said Google believes the attack would have been successful whether or not the company had a presence in China.

Some of Google's roughly 700 employees in China have had their network access cut off during the investigation, according to one person briefed on the matter.

On Tuesday, a Chinese Foreign Ministry spokesman reiterated that foreign enterprises doing business in China should respect Chinese laws and regulations, reiterating earlier remarks, saying, "Google is of course no exception."

Spokesman Ma Zhaoxu's comments are the latest indication that Beijing is unlikely to back down and let Google offer uncensored results on its Chinese Web site.

*—Patricia Jiayi Ho and Jung-Ah Lee contributed to this article.*

# Global FDI falls, UN reports

By Paul Hannon

LONDON—Global flows of foreign direct investment fell 39% in 2009, but will pick up modestly this year, the United Nations Conference on Trade and Development said Tuesday.

In a report, the U.N. agency said businesses made foreign investments of just over $1 trillion in 2009, down from $1.7 trillion in 2008. Flows of foreign investment to developed economies fell 41%, while flows to developing countries fell 39%.

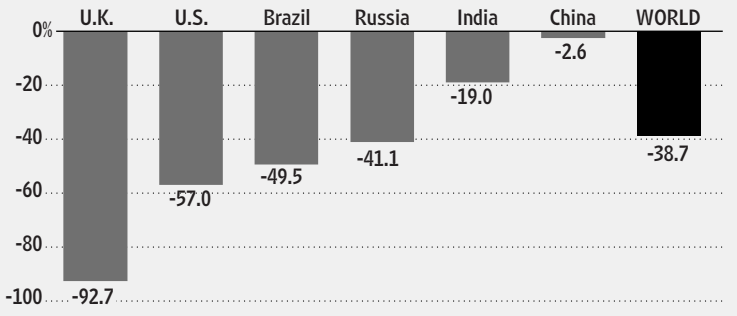
Businesses invested just 2.6% less in China than they had in 2008, while cutting their investments to the U.S. by 57%, in a reflection of a shifting balance of economic power. The U.S. remained the largest recipient of foreign investment, but China moved into second place, overtaking France and the U.K..

Other large developing economies didn't fare as well as China. Foreign investment in Brazil fell 49.5%, in India dropped 19%, and in Russia fell 41.1%.

Among developed economies, Germany recorded the largest rise in foreign investment, a 40.7% increase from 2008. Ireland, which saw the largest withdrawal of foreign investment in 2008 as investors took $20 billion out of the country, recorded inflows of $14 billion.

**Money flow slows**

Foreign direct investment in 2009, change from previous year



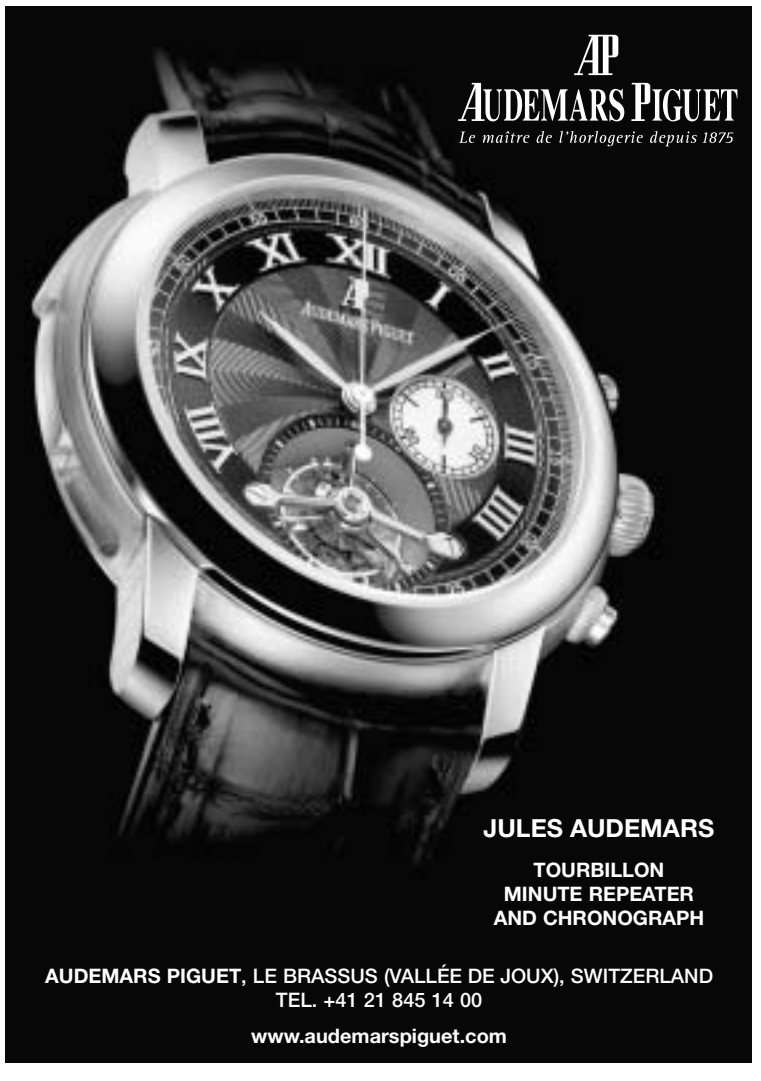

Source: UNCTAD

Foreign direct investment is particularly important to developing economies because it is associated with transfers of technology and know-how, and many don't have financial systems that are mature enough to provide capital for larger projects.

Declining flows of foreign investment could damage long-term growth prospects. Foreign investment in Africa fell 36.2% to $55.9 billion in 2009, while foreign investment in Latin America and the Caribbean fell 40.7% to $85.5 billion.

UNCTAD said that with the global economy growing again and company profits rising, foreign investment flows should rise this year. "The overall environment for international investment is slowly improving," it said. "However, as the recovery in economic growth and profits remains fragile, especially because it has been boosted by the potentially transitory impact of special economic packages...the recovery in FDI is expected to be modest," it said.

Foreign direct investment includes mergers and acquisitions, building new facilities from scratch, and reinvesting profits earned from overseas operations.



WORLD NEWS: CHINA

# Wen signals concern about stimulus

*Chinese premier's remarks underscore Beijing's new focus on the risks associated with policies to lift money supply*

By Terence Poon

BEIJING—China will maintain "reasonable and ample" money and credit supply in the first quarter, while closely monitoring sequential data to make macroeconomic policy more effective, Premier Wen Jiabao said Tuesday, signaling that Beijing is considering more closely the risks associated with its stimulus policies.

"We must...closely watch changes in supply and demand in the market, form an accurate judgment of the situation and increase the precision and effectiveness of macroeconomic policies," Mr. Wen told a meeting of the State Council, or the Cabinet.

Mr. Wen's remarks, posted in a statement on the central government's Web site, omit the government's frequent calls in recent months to maintain the continuity and stability of macroeconomic policy and its mantra since November 2008 to implement an active fiscal policy and moderately loose monetary policy.

The premier's remarks at the state council meeting came two days before China is due to issue fourth-quarter data that are likely to show the economy expanded more than 10% on the year. They underscore the government's recent moves to guide market interest rates higher and crimp the amount of funds available following a major stimulus package to keep its growth rate on track during last year's economic slowdown.

Now that growth has resumed a fast pace, the central government has shifted its focus to staving off threats of inflation in consumer and asset prices.

The nation's foreign-exchange regulator earlier Tuesday played down concerns over speculative funds flowing into the country, saying it doesn't find "inexplicable" gains in the foreign-exchange reserves last year when currency fluctuations and investment returns are taken into account.

> Leaders in Beijing have shifted the policy focus to staving off the threat of inflation.

But it also acknowledged that some speculative funds have entered the country, saying "China still needs to maintain capital-account curbs."

Mr. Wen said the government will "curb speculative housing purchases" and stabilize agricultural produce prices by ensuring sufficient inputs for farming, amid soaring real-estate property prices and rising food prices.

*—Victoria Ruan and Liu Li contributed to this article.*

Reuters

A Chinese bank employee counts banknotes in Shanxi province, on Tuesday.

# China curbs 'Avatar' showings to protect local films

By Ian Johnson

BEIJING—Chinese authorities have sharply curtailed showings of the movie "Avatar," in hopes of protecting local films from the runaway blockbuster.

The film, whose antiauthoritarian message has struck a chord among many ordinary Chinese, grossed about $44 million in ticket sales in the week after its Jan. 4 debut in China, and one report said the total had nearly doubled to $81 million as of Sunday. That would easily make it the top-grossing movie in Chinese film history. But with a state-sponsored biography of the Chinese philosopher Confucius due out Thursday, the film's run is being reined in, cinema- and film-industry officials say.

An official with China Stellar Film Co. said the distribution company had received an "urgent notice" Tuesday from China Film Group, the government quasimonopoly that distributes most films in China, saying China Stellar had to stop running two-dimensional versions of Avatar. The official said 3-D and IMAX versions would still be shown. China has an estimated 800 3-D and IMAX screens, compared with 4,500 normal 2-D screens.

China Film Group declined to comment Tuesday.

Twentieth-Century Fox, the studio behind "Avatar," is owned by **News Corp.**, which also publishes The Wall Street Journal. Studio officials couldn't immediately be reached.

China still sharply limits foreign films, with only 20 allowed in each year. It also blacks out foreign films during key national holidays—such as the upcoming Chinese New Year season, when cinemas are heavily trafficked—to bolster the local industry. Sometimes it also reduces distribution of films when authorities feel they have earned enough or when they conflict with state-backed films.

Several years ago, for example, independent Chinese filmmaker Jia Zhangke complained that his edgy movie about the destruction of the Three Gorges had been pulled early to make way for a film by Zhang Yimou, a government favorite.

Some commentators also have speculated that Avatar was pulled for political reasons. Some Chinese have seen the film as a symbol for how rapacious property developers have kicked many ordinary people out of their homes.

Writing in the "China Daily," a government English-language newspaper aimed at foreigners, columnist Huang Hung said "all the forced removal of old neighborhoods in China makes us the only earthlings today who can really feel the pain of the Na'vi," the alien group in "Avatar" that stood up to colonialists from Earth.

*—Kersten Zhang contributed to this article.*

Associated Press

'Avatar' posters on display Tuesday at a Beijing cinema. The film grossed about $44 million in ticket sales in the week after its Jan. 4 debut in China.

WORLD NEWS

# Gates backs Afghan outreach effort

*U.S. defense secretary says Kabul's new effort to reconcile with militants will be critical to success against Taliban*

By Yochi J. Dreazen

NEW DELHI—The Obama administration offered cautious support for the Afghan government's new outreach effort to the Taliban, expressing hope that lower-level militants would reconcile with Kabul even if senior leaders continued fighting.

U.S. Defense Secretary Robert Gates, at the start of an official visit to India, said the U.S. welcomed Afghan President Hamid Karzai's new efforts to persuade Taliban militants to lay down their weapons in exchange for jobs, education and security guarantees for themselves and their families.

Mr. Gates said that he believed such reconciliation efforts would ultimately be "critical" to ending the long and increasingly bloody Afghan war.

But the defense chief cautioned that top Taliban leaders such as Mullah Omar would be unlikely to participate in peace talks with the Afghan central government unless the U.S. and its allies reclaimed the battlefield momentum in Afghanistan.

Associated Press

U.S. troops fire at Taliban, Tuesday.

"I'd be very surprised to see a reconciliation with Mullah Omar," Mr. Gates told reporters during the flight here. "It's our view that until the Taliban leadership sees a change in the momentum and begins to see that they are not going to win, the likelihood of reconciliation at senior levels is not terribly great."

The Karzai government said Sunday it was finalizing a major new initiative aimed at convincing large numbers of Taliban fighters to renounce violence and agree to work with—or at least tolerate—the Afghan central government.

The new effort has been crafted with the close participation of senior U.S. military and civilian officials, though it will be led exclusively by the Afghans. Mr. Karzai has offered amnesty to Taliban militants who choose to stop fighting and has long talked openly of wanting to negotiate with Mullah Omar and other top Taliban leaders, but the earlier outreach efforts have generally fizzled.

The U.S. has higher hopes for the new effort, which will be much better funded than any of the earlier attempts. A senior U.S. military officer said in an interview last week that Japan was likely to announce a $500 million contribution to the Karzai government's new reconciliation plan at a London conference on Afghanistan later this month.

The official said the U.S. expected other countries to make smaller but still significant pledges of additional money. A defense official said he expected the conference to raise as much $1 billion for the reconciliation push.

The U.S. officials said the new money will primarily be used to fund jobs and education programs for fighters who choose to lay down their weapons, a tactic used successfully in Iraq. They said the Karzai government was also working to determine the best way of keeping former fighters and their families safe from Taliban retribution, a significant potential obstacle to the ultimate success of the outreach push.

The U.S. and Afghan governments are also trying to tie reconciliation effort to the country's social dynamics. The senior military official said troops from both countries were working with local leaders, tribal elders and religious figures to develop informal systems for welcoming former fighters back into traditional social structures, and monitoring their status to prevent them from rejoining the fight.

Mr. Gates, a Bush administration holdover, helped shift the U.S. mission in Iraq toward a counterinsurgency focus that devoted significant resources to creating jobs for former Sunni fighters, educating U.S.-held prisoners, and otherwise setting the conditions for many militants to peacefully rejoin Iraqi society. Success in Afghanistan, he said, would need to follow roughly the same recipe.

"Reconciliation has to be a part of the ultimate conclusion here, just as it was in Iraq," he said.

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WORLD NEWS: EUROPE

# Finance ministers pressure Greece

*EU envoys hold country to promise to rein in fiscal deficits that threaten its credit ratings and place in euro zone*

By Adam Cohen And Terence Roth

BRUSSELS—Euro-zone finance ministers on Tuesday held Greece to its promise to radically turn around fiscal deficits that threaten the country with a growing risk of losing creditworthiness and disrupting the common currency.

"Greece will do what is necessary" to avoid a default, Spanish Finance Minister Elena Salgado told reporters as she arrived in Brussels to head a meeting of finance ministers from the European Union's 27 members.

Greek Finance Minister George Papaconstantinou said Tuesday that the euro zone's other 15 member countries expressed confidence in his government's plan to cut its budget deficit to less than 3% of gross domestic product by 2012.

"First reactions are positive, and we're now moving to implementation," he told reporters as he arrived for the meeting.

Greece has been under fierce scrutiny by the EU, financial markets and credit-rating agencies since it said late last year that its budget deficit would hit 12.7% of GDP, compared with the EU's 3% limit.

The euro tumbled against other major currencies Tuesday as nerves over Greece's fiscal woes continued to fray.

Adding to the currency's troubles, German economic expectations have fallen short of economists' predictions.

The euro dropped some 0.5% against the dollar in European trading to a low of $1.4302. It has also declined by nearly 1% against sterling to 0.873 pence, while also sinking against the otherwise struggling yen by 0.6% to 129.90 yen.

One reason is that observers, in particular ratings agency Moody's Investors Service, aren't convinced Greece's politicians will allow the government to deliver on the promises to overhaul.

Bloomberg News

Greek Finance Minister George Papaconstantinou arrives at a news conference after EU finance ministers met Tuesday.

Moody's on Tuesday praised Greece's stability and growth program to fix deep budget deficits but raised doubts about the chances for its implementation.

"The plans for 2010 that are detailed in the [Greek budget plan] appear achievable, but the heavy legislative program for the first quarter of 2010 and Greece's poor track record in implementing fiscal reform mean that success cannot be taken for granted," said Sarah Carlson, Moody's lead analyst for Greece.

The ratings agency also said the Greek electorate may not tolerate years of fiscal austerity.

This uncertainty is reflected in the negative outlook attached to Greece's A2 rating.

Underscoring Moody's concerns, Greece's private-sector umbrella union announced plans to stage a 24-hour general strike to protest the government's austerity measures.

"The message that we want to give with a big general strike is that beyond the markets, there are also communities, there are people who need protection," said Yannis Panagopoulos, the union's president.

The strike is likely to be held on Feb. 25, union spokesperson Stathis Anestis said.

The Greek government has said it won't need external help in repaying its debts. But the cost of insuring against default by the Greek government rose to a record after its budget plan was announced Thursday.

Moody's said longer-term structural overhauls still need to be elaborated. But it said that the plan would address public-sector payrolls, endemic tax evasion and misreporting of financial data, all of which have undermined the government's credibility and contributed to the fiscal problems.

The breadth of the government's legislative program for the first quarter of 2010 alone underscores the challenges standing in the way of the plan's implementation.

Determining whether the stability and growth plan will succeed or fail is particularly difficult given the weak credibility of government statistics on deficit and debt, Moody's said.

But the key uncertainty for Moody's is the Greek government's ability to put the program in place.

Moody's last rating action on Greece came on Dec. 22, when the agency downgraded Greece's government bond ratings to A2 from A1, with a negative outlook.

*—Katie Martin in London and Alkman Granitsas in Athens contributed to this article.*

# U.K. consumer prices post largest jump on record

By Natasha Brereton

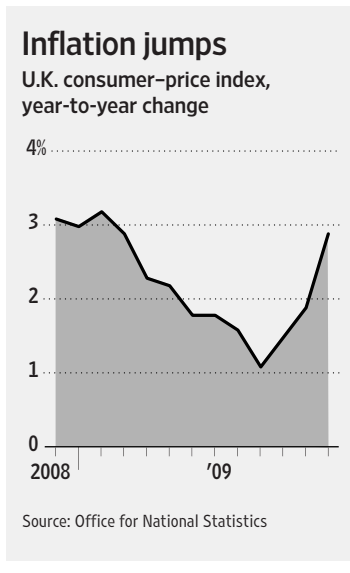
LONDON—British consumer-price inflation rose in December by its biggest amount since recording of the data began in 1997, after a temporary sales-tax cut a year ago, a fall in oil prices and early Christmas sales.

Inflation rose to a 2.9% year-on-year rate in December from 1.9% on-year in November, the Office for National Statistics said. That was well above the Bank of England's 2.0% target.

While the figure was also significantly higher than analysts had expected, most argued that the upward move will be temporary. They said the large amounts of spare capacity in the economy look set to damp pricing power, meaning that monetary policy should remain loose for some time.

While the Bank of England has said it will disregard what it expects to be a temporary increase in inflation, policy makers will be alert to any signs that public inflation expectations are rising above the inflation target or that spare capacity isn't damping pricing power as much was thought.

Policy makers "must look through the current pick up in inflation, which reflects temporary relative price effects, and focus on broader underlying pressures, which still look weak," said Colin Ellis, economist at Daiwa Capital Markets Europe.



A man walks past a London department store in December

Gilt yields and sterling jumped after the release of the data, as investors anticipated an earlier unwinding of the central bank's easing policies. The pound hit a fresh six-week high of $1.6455, while the euro dropped to a new four month low of £0.8742. The yield on the 10-year benchmark gilt rose to 4.024%, from 3.935% before the data.

British Prime Minister Gordon Brown sought to ease concerns, saying the jump in the inflation rate had been expected.

"Generally, Britain has had over the last 12 to 13 years a low inflation environment that has made possible low interest rates," Mr. Brown said at a news conference.

The one-percentage-point increase in the annual rate of inflation to 2.9% was the largest since the data series began in 1997.

The ONS said the record rise was reflected in the government's temporary cut in the sales tax in December 2008—to 15% from 17.5%—as well as lower oil prices and early Christmas sales.

The BOE has said inflation could rise sharply to above 3.0% early this year, which would force Governor Mervyn King to write an explanatory letter to the government to explain why inflation has moved so far away from the bank's target.

The bank is on track to complete targeted asset purchases of £200 billion through its quantitative easing program by early February, with most economists expecting no further increase in the program. It has kept its key interest rate at a record low of 0.5% since last March.

*—Laurence Norman and Nicholas Winning contributed to this article.*

WORLD NEWS

# Claim on glaciers under fire

By Gautam Naik
And Keith Johnson

An influential United Nations panel is facing growing criticism about its practices after acknowledging doubts about a 2007 statement that Himalayan glaciers were retreating faster than those anywhere else and would entirely disappear by 2035, if not sooner.

Rajendra Pachauri, head of the Intergovernmental Panel on Climate Change, or IPCC, said Monday that the U.N. body was studying how the 2007 report "derived" the information about glacier retreat, according to a spokesman at the Energy and Resources Institute in New Delhi, where Dr. Pachauri is the director. Dr. Pachauri said glaciers were melting, but the 2035 date was in question, the spokesman said. The report led to concerns about water-supply issues in Asia's Gangetic plain, home to millions of people.

It was unlikely that these revelations about the IPCC report would overturn the scientific consensus on glacial retreat, but they raised questions for the IPCC about how the data on Himalayan glaciers were collected and reviewed.

"The IPCC report said Himalayan glaciers are receding faster than anywhere else in the world and that's not correct," said J. Graham Cogley, a professor of geography at Trent University in Ontario. Dr. Cogley is a glaciologist who contributed to another part of the 2007 IPCC report and is one of the first people to track down some of the inconsistencies in the section on Himalayan glaciers. He added that the 2035 date was also likely wrong.

"There's a failure to review this data adequately by qualified experts," Prof. Cogley said.

The IPCC report stated that the total area of Himalayan glaciers would likely shrink from 500,000 square kilometers to 100,000 square kilometers by 2035. The report cited a 2005 study by the World Wildlife Fund, an environmental advocacy group. That study cited a 1999 article in New Scientist magazine that quoted Indian glacier expert Syed Hasnain as saying Himalayan glaciers could disappear "within forty years."

Dr. Hasnain presented a report on Himalayan glaciers in the summer of 1999, but it made no reference to 2035.

Earlier this month, Dr. Hasnain said in another New Scientist article that his previous assertions were based on "speculation," rather than firm science. Dr. Hasnain, a senior fellow at the Energy and Resources Institute in New Delhi, couldn't be reached for comment.

The citation of an environmental advocacy group as a source within the IPCC report appears to be a rare, but not unique, occurrence. That same chapter on Asian climate impacts also cited work from the World Resources Institute, which describes itself as an "environmental think tank."

Most of the thousands of citations supporting the rest of the voluminous IPCC report were from scientific journals.

The controversy comes on the heels of a scandal in Britain, where the publication of hacked emails of climate scientists suggested that they had declined to share their data with fellow researchers and tried to squelch dissenting views about global climate change. Some of the scientists whose emails were hacked were key contributors to the 2007 IPCC report, though not on the subject of glaciers.

Reuters

Gankar Punsun glacier in Bhutan.

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**INTRODUCTION**

# How the United States Sees Itself

Brian Stauffer

*A year into the Obama administration, we asked Americans how they're feeling about the president, the economy and other big issues*

On the first anniversary of Barack Obama's inauguration as president, Americans can be excused for wanting to pause for a deep breath.

It has, after all, been one of the more momentous and tumultuous opening acts in recent history. The first African-American president, and the first Democrat to win a majority in a presidential election in 32 years, took office a year ago today in front of perhaps a million people on the National Mall, as well as a fascinated world beyond.

After that, the American economy proceeded to fall faster, and unemployment rose higher, than at any time in a quarter-century. Eventually, the economy has begun to grow again—perhaps. But along the way Washington granted Wall Street the second half of a giant rescue package, sent the rest of the nation a giant economic-stimulus package and staged the most intense health-care debate since the creation of Medicare in 1965. Meantime, the federal budget deficit rose above the once-unthinkable $1 trillion line.

Finally, at year's end, the nation watched the specter of airborne terrorism again rear its head, thanks to a 23-year-old Nigerian on a plane heading toward Detroit.

So where has that roller-coaster ride of a year left average Americans? What is the state of the nation as they see it?

That's what the Journal has set out to determine here. In collaboration with its partners at **NBC** News and its polling team of Democrat Peter Hart and Republican Bill McInturff, the Journal surveyed more than 2,000 Americans in December and January on where the country stands at this juncture.

We asked their views of their president and other political leaders, of course. But we went well beyond that, to see what they think of the economy, their personal prospects, changes in their health-care system, the security of their nation, and the state of race relations within it.

We've found a nation that's weary, demonstrably less confident in the new president and an electorate that is less enamored of his Democratic Party. But the survey also finds continuing fondness for the president personally and areas where Americans are starting to see glimmers of light. So here is our report—a kind of portrait of America one year into the era of Barack Obama's presidency.

*—Gerald F. Seib*

Mr. Seib is the executive Washington editor of The Wall Street Journal. He can be reached at jerry.seib@wsj.com.

**ECONOMY**

# No Credit

*Economic growth may be up, but so is the feeling that the president isn't handling the economy well*

By Jon Hilsenrath

President Barack Obama has presided over a turnaround in U.S. economic growth, but he doesn't get much credit for it.

The disconnect has much to do with choices he's made, problems he inherited and deep-seated worries among voters about the economy's long-run health in the aftermath of the recession.

In the new Wall Street Journal/**NBC** News poll, 49% said they disapprove of the job Mr. Obama is doing handling the economy, while just 43% approve. Last February, by contrast, 56% approved of Mr. Obama's handling of the economy. The downward trend tracks his broader approval ratings.

Yet the approval rating is moving in the opposite direction of economic growth. When Mr. Obama took the oath of office a year ago, the economy was contracting at a 6.4% annual rate, its worst decline in more than a quarter century. By the fourth quarter of 2009, the economy recorded a growth rate of well over 4%, according to many economic forecasts.

More than six in 10 in the survey said the nation's difficult economic situation is one Mr. Obama inherited. So why isn't he getting more credit for steering the U.S. away from an outright depression?

Associated Press

A job fair in Livonia, Mich.

## Still Looking

Jobs are the most important part of Mr. Obama's problem. The economy's growth revival hasn't delivered them.

Last January, the unemployment rate was 7.7%. In December it was 10%, stable but too high for anybody's comfort. Mr. Obama said his $787 billion fiscal stimulus program would save or create 3.5 million jobs. Unemployment might well be even higher without that stimulus. Yet it's hard to convince voters it worked when the unemployment rate has gone up so much.

"Voters reward results, and right now a 10% unemployment rate is nothing to be rewarded," says Tom Gallagher, a political economy analyst at **ISI Group**, a research firm that caters to investors.

In the new poll, in fact, Americans ranked job creation and economic growth as their clear top priority for the federal government, well above national security and deficit reduction. Health care, Mr. Obama's top domestic policy priority in 2009, now ranks fourth, closely trailing the deficit and government spending.

The president's focus on health care amid heightened job concerns could be hurting his ratings. At the one-year mark of his presidency, 35% of Americans said they were "quite" or "extremely" confident he had the right priorities to improve the economy, down from 46% at midyear.

That's one reason why administration officials are eager to finish a health-care bill quickly and move on to job initiatives. Mr. Obama and his economic team are scouring their playbook for new programs—additional infrastructure spending, energy-efficiency incentives, business tax cuts—that could create more jobs without adding much to the deficit.

## Slow Improvement

The good news for Mr. Obama is that the unemployment rate might have peaked. The bad news is that few economists expect it to come down much this year. Economists surveyed by The Wall Street Journal see the jobless rate inching down to 9.5% by December 2010 as the economy slowly recovers—an improvement, but not a very big one.

And its near-term trajectory is in many ways out of the hands of Washington policy makers. Job-sapping productivity gains by employers and slow economic growth are likely to do more to shape the employment rebound in 2010 than new jobs initiatives by Congress.

The related problem for Mr. Obama is the public's lingering anger about the bailouts of 2008 and 2009, which helped boost bank profits even as unemployment grew—a toxic political problem.

A majority in the new Wall Street Journal/NBC News poll disapproved of the way the government responded to the financial crisis. That included bank bailouts started by the Bush administration. But Mr. Obama's decisions are drawing anger, too.

One of the least popular moves was Mr. Obama's decision to have the government take a majority stake in **General Motors**; 65% disapproved of the Detroit bailout.

**Mr. Hilsenrath** is a news editor in The Wall Street Journal's Washington bureau. He can be reached at **jon.hilsenrath@wsj.com**.

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FOREIGN POLICY AND THE MILITARY

# Fighting Form

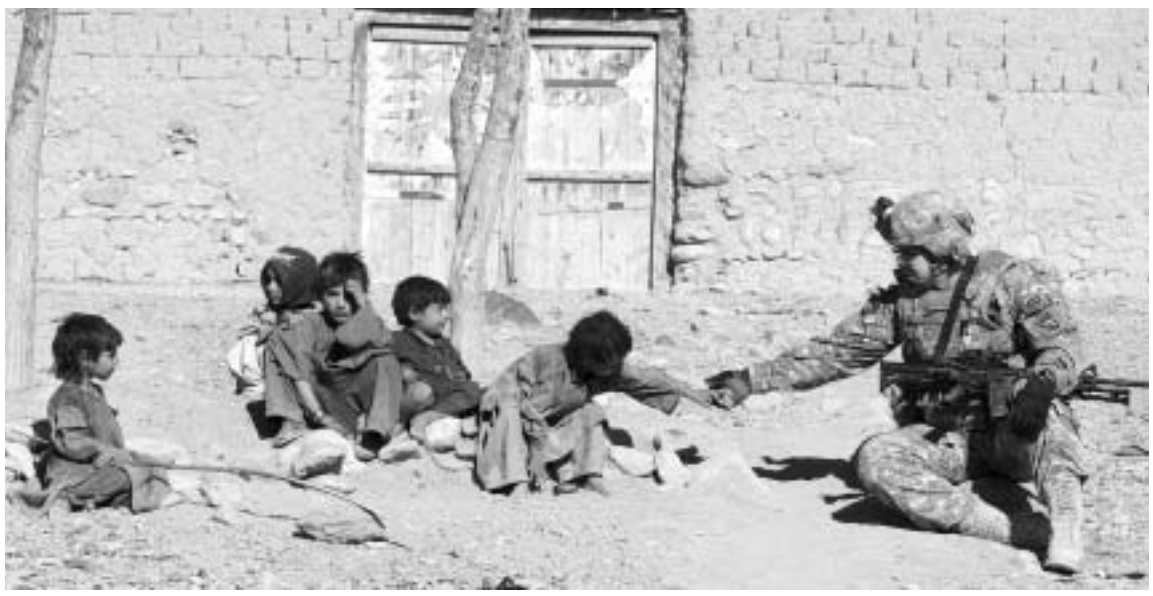
*President Obama's ratings on foreign policy have dipped, but not as much as in other areas*

By Jonathan Weisman

Leery from the start about President **Barack Obama**'s military and foreign-policy experience, Americans still retain some of that skepticism about their president as the nation's commander in chief one year into his term.

Yet after a year of bruising economic problems and domestic-policy debates, foreign policy actually has emerged as an area of comparative strength for Mr. Obama. By a 50%-to-37% margin, those surveyed in the new Wall Street Journal/**NBC** News poll give him a positive rating for his handling of foreign policy, higher than his overall job rating and his rating for handling the economy.

Moreover, the 13-point positive differential between the share who approve and the share who disapprove of his handling of foreign policy is the most positive reading in his job appraisal. By contrast, he enjoys just a five-point positive differential on his overall job approval and a six-point negative gap between approval and disapproval on his handling of the economy.



Reuters

A U.S. soldier with Afghan children during a patrol in Patika province.

### Safety a Priority

Perhaps because of the attempted Christmas Day bombing of an American airliner, national security is climbing Americans' priority list. In the new survey, national security and terrorism jumped to second on the list of voters' concerns, with 17% citing that area as a top priority for the government, behind only job creation and economic growth. In the summer, only 11% called national security a top priority, behind job creation, the deficit and government spending and health care.

Some 56% now say they are either very or fairly worried that the U.S. will experience another major terrorist attack, up from 42% in October. One-third said they are very worried, a leap from 17% three months ago. (On a key point of partisan contention, two-thirds of respondents said captured suspected terrorists shouldn't receive all the same legal rights as people tried in the U.S. court system.)

Views of Mr. Obama's handling of terrorism are split down the middle, with 45% approving of his handling, essentially even with the 44% who disapprove. At the same time, Americans are more on edge.

In addition to new terror scares, Mr. Obama's first year in office has seen the drawdown of U.S. forces from Iraq and the commitment of tens of thousands of troops to Afghanistan, both issues central to candidate Obama's foreign-policy promises. Mr. Obama also won the Nobel Peace Prize and engaged in international travel designed explicitly to raise the nation's popularity in the world.

White House senior adviser David Axelrod divided Mr. Obama's first-year mission into three parts: stabilizing the economy; securing the president's domestic priorities, which he believes will strengthen the nation's economic future; and restoring U.S. standing in the world, along with international cooperation on issues from terrorism to Afghanistan.

Of those three, the foreign-policy component has been arguably the most successful, Mr. Alexrod maintained. "It's been a very productive year in terms of foreign policy," Mr. Axelrod said in an interview.

### Sharp Divisions

Still, in one critical area of foreign policy—as commander in chief of the armed forces—Americans rate the young president lower than they rate him as a person and an overall leader.

As Mr. Obama campaigned for president amid a backdrop of economic unrest, he struggled to portray himself as the leader of the military. Running against a Vietnam war hero, Republican Sen. John McCain, candidate Obama convinced only a third of Americans that he would be a good commander in chief in June 2008. That figure soared amid the optimism that greeted his inauguration, when 55% said he would be a good or very good commander in chief.

After a year in the White House, those readings have dipped somewhat, though not as much as in other areas. Now, 49% give him a good rating as the commander in chief—compared with 72% who felt positively about the First Family, 64% who felt good about the president as a person and 54% who felt positively about Mr. Obama as a leader.

Gender, racial and ethnic backgrounds shaped opinions sharply. Only 42% of men felt positively about Mr. Obama as a commander in chief, while 38% of whites and 39% of those from small-town or rural areas did. In contrast, 86% of African-Americans and 59% of Hispanics gave him positive marks. Politically, only 38% of independents felt positively about Mr. Obama as a commander in chief.

**Mr. Weisman** is a staff reporter in The Wall Street Journal's Washington bureau. He can be reached at **jonathan.weisman@wsj.com.**

PERSONAL FUTURE

# Dangers Ahead

*Americans are more nervous about their own long-term prospects—as well as those of their children's generation*

By Sara Murray

A trio of big worries — economic troubles, health-care uncertainties and security threats — are weighing on Americans' hopes for their future, though they haven't entirely dashed the traditional American spirit of optimism.

Just 34% of Americans surveyed this month in the latest Wall Street Journal/**NBC** News poll said they think the country is headed in the right direction, compared with 54% who said it is off on the wrong track. In February of last year, not long after President Barack Obama's inauguration, 41% said the country was headed in the right direction and 44% said they thought it was on the wrong track.

Moreover, there are some signs that the economy's woes may be sowing doubts not just about current prosperity, but about long-term prospects as well. In a companion Journal/NBC News survey in December, two-thirds of Americans said they didn't feel confident their children's generation would be better off than their own.

The key question is whether Americans are convinced a long-term decline in prosperity is inevitable—a sentiment that would have implications for, among other things, spending and investment decisions—or whether the gloom will only persist until there are clearer signs the country's situation is improving. The latest poll found four in 10 expect the economy to improve sometime in the next year.

"Every time we think we've seen a permanent sea change, we find out that Americans actually have a very short attention span," says Katherine Newman, a **Princeton University** sociologist.

Getty Images

An abandoned home behind a padlocked gate in Stockton, Calif.

A majority of poll respondents, 53%, said they think the economy still has a ways to go before it hits bottom, outpacing the 31% who said it has pretty much hit bottom. Americans are narrowly divided on their feelings about health care, but 48% said it will be a step backward if the overhaul now being debated becomes law. And a growing percentage are worried that the country will experience another major terrorist attack.

While Americans' pessimism may ease over time, what may stick are populist sentiments aroused by the economic crisis, and newly conservative investment habits among older Americans.

Anne Lesebvre, 44, is unemployed, lost her home after taking out a subprime mortgage, and isn't putting any money into savings. She thinks the U.S. is far off track. "The people that are the richest are the ones that keep getting benefits," says Ms. Lesebvre, of Warwick, R.I. But she isn't quite ready to blame President Obama. She wants "reform" in the country, and she thinks her 13-year-old son won't necessarily face the same problems confronting the nation today.

The poll suggests that many, like her, still hold out hope that Mr. Obama will succeed. Some 40% of Americans said they weren't ready to predict whether Mr. Obama would be a successful president or not. A total of 37% said he would be successful, while 21% said he wouldn't be.

Meanwhile, many Americans stunned by the financial meltdown may not take a chance on being burned again, says Gary Burtless, a senior fellow in economic studies at the **Brookings Institution**. Those who also lost money in the dot-com bust, for example, may be nearing retirement and moving toward safer investments.

"I think if people are not terribly financially sophisticated they will have said, 'Well, I've given stocks two chances and they've really given me a bad time,' " says Mr. Burtless. "I suspect that they're going to be more cautious in the future."

**Ms. Murray** is a staff reporter in The Wall Street Journal's Washington bureau. She can be reached at **sara.murray@wsj.com**.

RACE

# Racial Lines

*The view on race relations hasn't changed in the past year, including the divide on affirmative action*

By Gary Fields

Getty Images

Last July's "Beer Summit" at the White House.

Having the first African-American in the **Oval Office** for the past year has done little to change Americans' overall view of race relations in the U.S.

In the new Wall Street Journal/**NBC** News poll, 63% of the participants said race relations have remained the same during President Barack Obama's first year in office The findings were remarkably consistent across racial lines, with 63% of whites, 64% of blacks and 58% of Hispanics agreeing.

Americans also tend to agree that race relations are generally good, even as they disagree as deeply as ever about affirmative action.

In the new survey, 72% of whites, 66% of African-Americans and 68% of Hispanics rated race relations as good. But while 73% of African-Americans said they feel strongly that affirmative-action programs are needed to counteract discrimination, just 22% of whites agreed. Just over half of Hispanics feel strongly that affirmative action is still needed.

The findings suggest that while the election of President Obama was seen as a sign of racial progress for the country, there is only so much he can do.

"He's got the best seat on the bus, but there are a lot of other folks who direct where it goes," says Anthony Muhammad, who chairs a neighborhood council in Washington, D.C. "He would be Superman if he could change racial attitudes" in one year.

All the main racial groups have lost some confidence in Mr. Obama or his policies in the past year.

Among Americans overall, the poll found, 33% like the president personally but disapprove of many of his policies, up from 22% a year ago. The percentage of African-Americans who said they like the president but disapprove of his policies doubled to 14% from 7%, the biggest rate of change among all groups. The number rose to 31% from 18% among Hispanics and to 36% from 25% among whites.

There were similar declines, across racial lines, in confidence that Mr. Obama has the personal characteristics to be president, and that he has the right goals and policies in place.

Ron Walters, a political analyst and retired **University of Maryland** professor, says the poll numbers suggest Americans are responding to their personal situations in a difficult time rather than looking at how Mr. Obama is handling an overall agenda including two wars and a broad economic slump.

That is particularly true, Mr. Walters says, for Hispanics, who tend to be clustered in jobs and industries that have been hit particularly hard, such as construction and home building. "What we're seeing in these numbers is a personal angst," he says.

Curtis Watkins Jr., an Obama supporter in 2008 who runs LifeStarts, a grass-roots organization that focuses on students in one of the more economically depressed areas of Washington, D.C., says he understands Mr. Obama has priorities.

But, Mr. Watkins says, "when all is said and done, how far are the opportunities created by the stimulus packages going to come down to the people who really need them? Stimulus is for those who can access the opportunities of a stimulus package. The population I serve on a daily basis can't."

**Mr. Fields** is a staff reporter in The Wall Street Journal's Washington bureau. He can be reached at **gary.fields@wsj.com**.

HEALTH CARE

# Second Opinion

*Americans are worried Congress will make a bad health-care system even worse*

By Laura Meckler

Getty Images

Supporters and opponents of overhauling health care at a town-hall meeting in Reston, Va.

A year of intense debate over how to overhaul health care has left the U.S. scared and confused, with many Americans frustrated by the current system—yet fearful Washington will replace it with something worse.

The portion of Americans saying the health plan nearing completion in Congress is a bad idea has climbed steadily through months of debate and negotiation. In April, 26% said the plan was a bad idea. By this month, it was 46%, as many of the undecided made up their minds, according to the new Wall Street Journal/**NBC** News poll. Just 33% now say it's a good idea, no different than nine months ago.

This, in turn, has hurt the overall standing of President Barack Obama and his Democratic Party.

### Rising Costs

The broader economic and political climate has complicated the job of selling a health package, with nearly a trillion-dollar price tag over the next decade, the poll suggests. After an expensive economic-stimulus package, Wall Street rescue and bailout of two auto companies, Americans have become increasingly worried about the rising deficit and government intervention into the economy.

"It's too much government control," says Chris Gulbrandson, an unemployed 29-year-old in Hoffman, Minn.

The poll found only 38% approve of the job Mr. Obama is doing on health care, lower than his overall approval rating and lower than his grades for the economy, foreign policy and the war on terrorism. People are even less happy with Republicans in Congress on this issue, with just 26% approving of the job they've done on health.

Leaders in both parties say that the health-care system, with its spiraling costs and rising number of uninsured, is broken. Republicans generally believe that the Obama plan has become unpopular because it costs too much and mandates too much government intervention. Democrats argue that the legislative process is, by nature, unsettling, and that the benefits of the plan will become clearer to voters if and when it becomes law. Both parties have staked their futures on the outcome of this debate.

Given Americans' frustrations with the health system, a surprising number say they are willing to live with the status quo, rather than risk something that might be worse.

Nearly half of those surveyed—48%—said that passing the current health-care legislation would be "step backward," while just 42% called it a "step forward." And more than half—53%—said they are more concerned that lawmakers will go too far and make the system worse than they are concerned that political leaders won't do enough to make the system better. Just four in 10 said they were more concerned that lawmakers would not do enough.

"Health-care reform is very, very important. I just don't like the way they are going about it," says Mary Stevens, 67, a political independent from Mason City, Iowa, who voted for Mr. Obama.

A retired banker, she says she has seen otherwise creditworthy people financially ruined because of unpaid health-care bills. So, she'd like to see changes, and says she's willing to pay taxes to help others get coverage. But she thinks Mr. Obama ceded too much power to the Democrats in Congress.

"I wish they would take more time," she says. But she adds: "I give [Mr. Obama] credit. If he had not pushed as hard as he did, nothing would have happened."

### A Clear Understanding

It's not that Americans don't understand what the legislation aims to do. Two-thirds think the legislation would succeed in helping people with pre-existing conditions get coverage, and in covering the uninsured—two key aims.

But cost is a big fear, with majorities predicting that both the deficit and taxes on the middle class would get worse as a result of the legislation. Those sentiments persist despite Democrats' vows that the plan would be fully paid for with tax increases on upper-income families and health industries, as well as spending cuts.

At the same time, people are skeptical the bill would curb the cost of care, a promise Mr. Obama has repeated for months. Just under half said the bill would make health costs worse, compared with 33% who said costs would improve.

**Ms. Meckler** is a staff reporter in The Wall Street Journal's Washington, D.C., bureau. She can be reached at **laura.meckler@wsj.com**.

THE PROPERTY REPORT

# CapitaLand's China footprint grows

*Purchase of Orient Overseas unit will help Singapore firm develop residential identity; 'very prime locations'*

By Sam Holmes

SINGAPORE—**CapitaLand** Ltd.'s US$2.2 billion purchase of **Orient Overseas (International)** Ltd.'s China property business gives the Singapore property developer a boost in its drive to widen its residential footprint in China.

The deal comes amid lingering uncertainties about China's property market, including fears that speculative activity is too hot and that governmental tightening measures will crimp growth.

But many analysts see substantial longer-term benefits from this transaction. "The market has been thirsty for this acquisition and their patience has paid off," UBS property analyst Regina Lim said. UBS has a buy recommendation on CapitaLand's stock.

CapitaLand said Monday that it will buy Orient Overseas Developments, a unit of Hong Kong-listed shipping group Orient Overseas (International). The purchase, expected to be completed by the end of March, will effectively double CapitaLand's China property portfolio to 2.8 million square meters and boost its China assets to 36% from 28% of its total portfolio, significantly advancing its push to have Chinese property accounting for 45% of its assets within five years.

Of Singapore's three main developers, CapitaLand has the largest exposure to mainland China. Peers Keppel Land Ltd. and **City Developments** Ltd. have portfolios mostly focused on Singapore. CapitaLand's shares gained 1.9% Tuesday while Singapore's Straits Times Index remained flat.

CapitaLand has been successful in developing its shopping-mall brand in China through its retail unit, with prime developments such as Raffles City in Shanghai. But some investors have worried about its ability to penetrate the residential sector in the booming economy.

"These are actually very prime locations that we're talking about," Nomura China property analyst Lee Wee Liat said. Nomura hasn't yet reviewed a "reduce" call it had on the stock before CapitaLand's latest acquisition.

Mr. Lee said the deal satisfies CapitaLand's appetite for a significantly increased Chinese land bank and is also likely to build a strong residential property identity for the developer in China.

"A lot of these will become their trophy projects to show to the people that they can actually do very high-end and very good quality products in very prime location," he said.

The acquired properties include 56% residential assets at seven sites in Shanghai, Tianjin and Kunshan. Most of the assets are in the development stage.

**Some analysts say the quality of the sites is a safeguard against near-term drops in property prices.**

The deal will in large part be funded using the cash proceeds from the S$2.8 billion initial public offering of **CapitaMalls Asia** Ltd., CapitaLand's retail unit, completed in December.

The transaction comes amid dual concerns from some analysts about speculative activity in China's property market and the possibility that Chinese authorities may squash growth in attempts to cool the market.

Some analysts say the quality of the properties—which are mostly located in central urban locations near mass-transit stations—presents a long-term safeguard against possible near-term corrections in China's property market.

"I think even if there are near-term headwinds, these sites should see strong demand," said Ms. Lim of UBS.

There is scope for further expansion. While the acquisition takes a bite out of CapitaLand's cash reserves—a factor that will likely weigh on the stock's special dividend payment—the firm still has a modest debt-to-equity ratio of 0.3 and a cash balance of S$5.5 billion.

# British Land's shift raises some eyebrows

By Anita Likus

LONDON — Chris Grigg, the former Goldman Sachs Group executive who was hired to run **British Land** Co. in early 2009, has gotten plenty of kudos for shoring up the balance sheet of the U.K.'s second-largest real-estate investment trust.

But his plans to change British Land's investment strategy have gotten mixed reviews. In recent months, Mr. Grigg has said the company plans to expand from its primary focus on offices in central London and U.K. retail property to include such other assets as retail in other parts of Europe.

Green Street Advisors analyst John Lutzius is concerned that British Land will invest capital in areas in which it has less experience and less presence. "A better path to future outperformance would be more focus, not less," Mr. Lutzius wrote in a December report.

Nomura analyst Mike Prew also isn't thrilled. "Discussions over alternative asset classes—residential, student accommodation, hotels—and application of fund-management skills expose the board's lack of decisiveness at the bottom of the cycle," he wrote in a report.

Mr. Griggs wasn't available for comment but a spokesman for British Land defended the strategy, saying "the group is developing a stronger, more balanced portfolio through the reduced exposure to single asset concentrations, a better risk profile and increased income resilience."

The criticism of Mr. Grigg's investment program is a sign of uncertainty in the property market as Europe struggles to recover from its worst economic downturn in decades. With the market facing acute valuation and financing issues, bold moves aren't necessarily being rewarded by investors and analysts.

British Land is the U.K.'s second-largest REIT by market capitalization with an £8.2 billion ($13.4 billion) portfolio and £11.3 billion of assets under management, mostly U.K. retail property and offices in London. Mr. Grigg, who most recently had the job of chief executive of Barclays Commercial Bank, joined as chief executive one year ago, succeeding Stephen Hester.

Shortly after Mr. Grigg arrived, British Land pulled off a highly discounted £740 million rights issue. He also helped ensure the company's survival by continuing a sales strategy, unloading £2 billion of assets at the bottom of the market.

Analysts applauded these moves.

But analysts and investors were much less enthused last fall when British Land lost its well-respected head of retail, Andrew Jones. Soon after, Mr. Grigg hired two executives with experience in fund management and acquisitions, indicating the company is ready for purchases.

British Land's move away from focusing on London office space also is raising eyebrows. Although offices in the City are highly exposed to the financial-services sector, experts believe that London offices will recover first because of a shortage of new development.

Goldman Sachs analysts lifted their rating on rival U.K. REIT **Land Securities Group** PLC to "conviction-buy" because of its exposure to London office rents.

Additionally, it is probably too soon to declare British Land healthy even though its main property market shows signs of recovery. Nomura analysts said that "property needs debt and occupational demand to prosper and there is a shortage of both in the U.K. currently."

There also remains the question of British Land's debt level. "Despite large asset sales, British Land's overall leverage remains high at 58%," Mr. Lutzius, of Green Street, wrote in his report. The company reported £4.82 billion of debt in November and sold £6.6 billion of assets in the past 3½ years

But a spokesman for British Land defended the company's leverage. "British Land has nearly halved its [loan-to-value ratio] in the last year and this puts us in a prime position to capitalize on the opportunities," he said.

British Land has some £3 billion of undrawn, committed debt facilities, giving the company ammunition to make acquisitions.

# Business Real Estate

## ANNOUNCEMENTS

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The sale is held to enforce the rights of Secured Party under that certain Amended and Restated Mezzanine A Loan Agreement, dated as of December 11, 2006 and effective as of October 4, 2006, between Secured Party (as assignee of the original lender thereunder) and the Pledgor. The Pledgor owns 100% of the membership interests in the Entity, which company owns the property commonly known as the "W Hotel Union Square," located at 201 Park Avenue South, New York, NY 10003.

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Any parties interested in further information about the Collateral, the requirements to be a "qualified bidder" and/or the terms of the sale should contact Savills at (212) 328-2800 or W_Union_Square@Savills.com or visit the website www.savills.us.com or appear at the foreclosure sale at the time and date set forth above.

Gary A. Goodman, Esq.
SONNENSCHEIN NATH & ROSENTHAL LLP
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Middle District of Florida – Orlando Division
The Vue - Orlando, LLC Case No 6:09-bk-14833-KSJ
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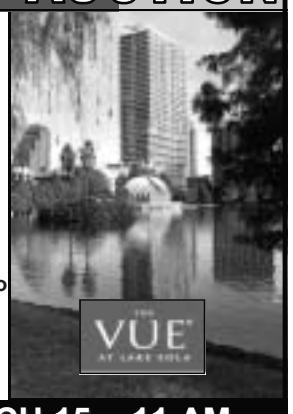


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THE WALL STREET JOURNAL. ASIA

# The Message of Massachusetts

Whether or not Republican Scott Brown wins Tuesday in Massachusetts, the special Senate election has already shaken up American politics. The close race to replace Ted Kennedy, liberalism's patron saint, shows that voters are rebelling even in the bluest of states against the last year's unbridled pursuit of partisan liberal governance.

Today marks the anniversary of President Obama's Inaugural, and it's worth recalling the extraordinary political opportunity he had a year ago. An anxious country was looking for leadership amid a recession, and Democrats had huge majorities and faced a dispirited, unpopular GOP. With monetary policy stimulus already flowing, Democrats were poised to get the political credit for the inevitable economic recovery.

Twelve months later, Mr. Obama's approval rating has fallen further and faster than any recent President's, Congress is despised, the public mood has shifted sharply to the right on the role of government, and a Republican could pick up a Senate seat in a state with no GOP Members of Congress and that Mr. Obama carried by 26 points.

What explains this precipitous political fall? Democrats and their media allies attribute it to GOP obstructionism, though Republicans lack the votes to stop anything by themselves. Or they blame their own Blue Dogs, who haven't stopped or even significantly modified any legislation of consequence.

Or they blame an economic agenda that wasn't populist or liberal *enough* because it didn't nationalize banks and spend even more on "stimulus." It takes a special kind of delusion to believe, amid a popular revolt against too much government spending and debt, that another $1 trillion would have made all the difference. But that's the latest left-wing theme.

The real message of Massachusetts is that Democrats have committed the classic political mistake of ideological overreach. Mr. Obama won the White House in part on his personal style and cool confidence amid a recession and an unpopular war. Yet liberals in Congress interpreted their victory as a mandate to repeal more or less the entire post-1980 policy era and to fulfill, at last, their dream of turning the U.S. into a cradle-to-grave entitlement state.

> A crisis is a terrible thing to exploit.

We had been encouraged a year ago by Mr. Obama's selection of Illinois Congressman Rahm Emanuel as his chief of staff because we thought he would have learned from the Clinton failure of 1993-1994 and knew enough to stand up to the Congressional left. How wrong we were. Mr. Emanuel and his boss have instead deferred to Congress's liberal barons on every major domestic policy.

These committee chairmen are all creatures of the Great Society and what was called the New Left of the 1960s and 1970s. They have spent their lives in government and know almost nothing about the private sector or how to grow an economy. They view the Reagan era as an historical aberration, and they have stayed in Washington for decades precisely in wait of this moment to realize 40-years of pent-up policy ambition. They believe this is their 1965, or 1933.

While Mr. Obama campaigned as a young postpartisan Democrat who wanted a new era of comity in Washington, his victory has instead empowered these ancient left-wing warriors. These are the men who have run Washington this past year, and they are Mr. Obama's de facto cabinet. The nearby photos show some of the most powerful, clockwise from the top right:

• Ed Markey of Massachusetts, first elected in 1976, helped to ram the cap-and-tax bill through the House and has pushed relentlessly for the EPA to declare carbon a pollutant under the Clean Air Act that didn't mention carbon.

• Wisconsin's David Obey, elected in 1969, is the House Appropriations chairman who steered the $787 billion stimulus to focus on Medicaid expansion and other transfer payments that have done nothing for economic growth.

• Henry Waxman, first elected in the Watergate class of 1974, deposed John Dingell in 2008 as too moderate to run the Energy and Commerce Committee. The Hollywood liberal is co-author of the cap-and-tax vote that will cost numerous Blue Dogs their seats.

• Pete Stark, class of 1972, runs the health subcommittee on Ways and Means and has written most of the House health reform that has forced moderates to walk the plank on the "public option."

• George Miller, class of 1974 and chief enforcer for Speaker Nancy Pelosi, has pushed to nationalize the college student loan market. Like Mr. Stark, he's from California.

• Barney Frank of Massachusetts, class of 1980 and chief protector of Fannie Mae, wrote the financial reform that would make too-big-to-fail the law for the largest banks. He has also pushed the mortgage foreclosure programs that have extended the housing recession by preventing home prices from finding a bottom.

All images: Associated Press

President Obama's real cabinet.

It is the combination of all of these and other policies that has ignited the political revolt we are now seeing in Massachusetts, and first saw last November in Virginia and New Jersey. Had Democrats modified their agenda to nurture a fragile economy and financial system, they could now claim their policies worked and build on them later.

Instead, their frenetic agenda has frightened voters and businesses about the vast expansion of government power and enormous tax increases to come. The resulting uncertainty and the anticipation of higher costs for labor, taxes and energy have undermined what ought to be a more robust pace of job creation and overall recovery.

The lesson of Mr. Obama's lost first year is that an economic crisis is a terrible thing to exploit. As they have each time in the last 40 years that they have had total control of Washington, Democrats are proving again that America can't be successfully governed from the left. If that is the lesson Mr. Obama learns from Massachusetts, he might still salvage his Presidency.

# Predators and the Constitution

Sex offenders are the least sympathetic of legal plaintiffs. Still, we were dismayed last week to see so many Supreme Court Justices during oral arguments apparently willing to let the federal government take over an area of law governing criminals that the Constitution grants to the states.

The question in *U.S. v. Comstock* is whether sex offenders who have already completed their federal criminal sentences may then see their incarceration extended through a process of "civil commitment" by the federal government. The law in question, the 2006 Adam Walsh Child Protection Act, allows the Attorney General to certify a person as a danger to the population and keep him in federal custody. The law tramples on the traditional power of states to protect public health and safety.

> The feds usurp another area of state law.

At oral argument, Solicitor General Elena Kagan argued that federal authority comes from its responsibility to maintain the criminal justice system, and that Congress may make all laws that are "necessary and proper" to execute its other Constitutionally vested powers. But civil commitment and criminal incarceration are different realms of enforcement: Those who have already served their legally prescribed sentences ought no longer be within reach of federal authorities.

The implications go well beyond sex offenders. To do as the Obama Administration asks would be to grant the federal government broad power in the criminal context. In the case of Graydon Comstock, who had been sentenced to three years in jail for purchasing child pornography, the Fourth Circuit Court of Appeals ruled that Congress lacked Constitutional authority to recommit him after he had done his federal time.

If the Supreme Court reverses the lower court's decision, it will sanction the notion that nearly any appealing idea may be justified as necessary and proper. In other countries, loose detention laws give wide latitude to authorities to lock up any number of people who "threaten the public safety," including political prisoners. Maybe next the feds could force everyone in America to buy health insurance.

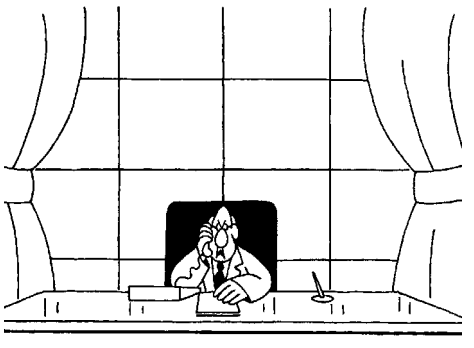
The lone apparent critic was Justice Antonin Scalia, who pointed out to Ms. Kagan that the Necessary and Proper Clause was intended only to augment powers the federal government is explicitly given by the Constitution, and federal criminal authority ends when a criminal sentence does.

"The federal criminal proceeding is terminated. The individual is released. You could say it's necessary for the good of society, but that's not what the federal government is charged with." He added, "There is no constitutional power on the part of the federal government to protect society from sexual predators." Twenty states already have their own civil commitment laws.

The Rehnquist Court made important strides in re-establishing state rights, and we shall see if the Roberts Court expands on that legacy. If Graydon Comstock's three-year sentence for child pornography is inappropriately brief, the answer is not for the federal government to freelance constitutionally by imposing alternative incarceration. The answer is for voters to seek tougher criminal penalties for sex offenders.

## Pepper . . . and Salt

THE WALL STREET JOURNAL



**"Alfred Hightower, old money."**

# Letters To The Editor

* * *

## *Analyzing U.S. Arms Sales to Taiwan*

Your editorial "A Taiwan Lesson" and Brian T. Kennedy's "The Taiwan Arms-Sales Equation" (Jan. 11), which support American sales of arms systems to Taiwan, demonstrate a lack of understanding of the fundamental principle of China's sovereignty which has been the cornerstone of all agreements between China and the United States starting with the normalization of relations.

President Obama reiterated this principle during his visit to China last November. The China-U.S. Joint Statement issued during President Obama's visit states clearly that the fundamental principle of respect for each other's sovereignty and territorial integrity is at the core of the three U.S.-China Joint Communiqués which guide China-U.S. relations.

In particular, on Aug. 17, 1982, China and the U.S. released the Joint Communiqué by which the U.S. committed "gradually to decrease its sale of arms to Taiwan, leading, over a period of time, to a final resolution." The recent agreement by the U.S. to sell arms to Taiwan clearly violates the principles of this Joint Communiqué.

The U.S. administration has stated on many occasions that peace in the Taiwan Strait is in the interest of the U.S. Thanks to the efforts on both sides of the Taiwan Strait, cross-Strait relations have achieved historic progress in the past two years. At a time when cross-Strait dialogue has led to positive economic, political and cultural interactions between mainland China and Taiwan, U.S. arms sales to Taiwan will only undermine cross-Strait relations putting peace and stability in the Strait into jeopardy.

While China and the U.S. share extensive common interests, challenges remain. Working together, our nations are addressing those challenges, thereby fostering greater understanding and mutual respect. While the current U.S. administration has maintained this steady improvement over the past year, the sale of arms to Taiwan will weaken this progress.

**Wang Baodong**
*Spokesman and Press Counselor*
*Embassy of the People's Republic of China*
*Washington*

I write to echo the point expressed in the editorial "A Taiwan Lesson" that arms sales help the Taiwan-China dialogue by allowing Taipei to negotiate from a position of strength. Since President Ma Ying-jeou's election in 2008, the administration has continued to foster an atmosphere of mutual trust in relations across the Taiwan Strait. These efforts are aimed at supporting the trend of peaceful development in the region.

By selling weapons of defensive nature, the United States is both fulfilling the legal obligations of its own Taiwan Relations Act and acting to protect its interests. The TRA states that "peace and stability in the area are in the political, security, and economic interests of the U.S., and are matters of international concern." It also stipulates that the U.S. will "consider any effort to determine the future of Taiwan by other than peaceful means ... a threat to the peace and security of the Western Pacific area and of grave concern to the United States."

*Ma Ying-jeou*

As President Ma has stated, arms sales bolster "Taiwan's confidence in the process of reconciliation between Taiwan and mainland China," thus contributing significantly to peace in the long-term while reducing the American military burden in East Asia.

The support of the U.S. in these issues is invaluable as we work towards greater stability and prosperity in Taiwan and the region as a whole.

**Tony Ong**
*Director, Press Division*
*Taipei Economic & Cultural Office*
*New York*

* * *

## *Nothing Fine About The Art of Graffiti*

I realize that Jan Morris was attempting to be humorous in "Graffitists" (op-ed, Jan. 6) and I could be accused of not having a sense of humor, but I find little funny about the glorification of graffiti. The desire to "tell posterity of our passing" is certainly a noble one, but not when it includes defacing public property or other people's property. Perhaps Ms. Morris would like to provide us with her address so that we could satisfy our creative urges and our desire to thumb our noses at asinine authority by covering her walls with our "messages of defiant independence."

**George Cole**
*Missouri City, Texas*

**Comments?** The Journal welcomes readers' responses to all articles and editorials. It is important to include your full name, address and telephone number. Please send letters to the editor to: **Letters@WSJ.com**

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# A Uniquely Australian Saint

By Francis X. Rocca

*Vatican City*

Australia was once a land of outlaws, but this year the country will be getting a distinction of another kind—its first saint. The Blessed Mary MacKillop (1842-1909) was last month decreed by Pope Benedict XVI to have interceded in a miraculous cure from lung cancer in 1993, and her canonization will likely be completed later this year.

MacKillop, born in a Melbourne suburb, was a co-founder of the Sisters of Saint Joseph of the Sacred Heart, a religious order dedicated to teaching the faith to children and caring for the needy. Yet many accounts stress the unconventional elements of MacKillop's biography, noting particularly that she was once briefly excommunicated for insubordination because of disagreements with her bishop over the structure and direction of the order.

Commentators have suggested that this makes MacKillop a model for latter-day rebels against hierarchical authority and established church teaching. Some have portrayed MacKillop as an early feminist, and even a forerunner of those who advocate the ordination of women as priests.

That was clearly not the view of Pope John Paul II when he pronounced MacKillop blessed in 1995. Nor is it the view of Pope Benedict, who has firmly seconded his predecessor's praise for the essential role of women in the church, as well as his insistence that the priesthood is reserved for men.

In fact, the canon of saints abounds with men and women whose careers have brought them into tension and even conflict with the hierarchy. Founders of religious orders have often met with resistance from local bishops, before managing, like MacKillop, to realize their distinctive visions of holiness with support from the Vatican.

MacKillop's extraordinary courage and "perseverance in the face of adversity," which Pope Benedict lauded on a pilgrimage to Australia in 2008, was evident not only in her dealings with the church. The heroic work that made her legendary in her country, educating children and caring for the destitute in the outback, followed in an illustrious tradition of service by religious sisters.

For all that MacKillop's story exemplifies traditional Catholic values, however, her canonization will have special relevance to our time, if only by virtue of her nationality. Australia is today one of the least devout countries on earth, where according to a 2008 Bertelsmann Foundation study, just 25% of the people describe themselves as deeply religious, and 28% say they are not religious at all. Pope Benedict has made resistance to such secularism one of the major campaigns of his pontificate.

So when Pope Benedict, who has followed his predecessor in the use of prolific saint-making as a tool of evangelization, canonizes Mary MacKillop, he may do more than hold her up as a new object of veneration for the universal church. He may well invoke her aid on a crucial front of his global struggle for the faith.

*Mr. Rocca is the Vatican correspondent for Religion News Service.*

# *Help Haiti, End Foreign Aid*

**[ Global View ]**

By Bret Stephens

It's been a week since Port-au-Prince was destroyed by an earthquake. In the days ahead, Haitians will undergo another trauma as rescue efforts struggle, and often fail, to keep pace with unfolding emergencies. After that—and most disastrously of all—will be the arrival of the soldiers of do-goodness, each with his brilliant plan to save Haitians from themselves.

"Haiti needs a new version of the Marshall Plan—now," writes Andres Oppenheimer in the Miami Herald, by way of complaining that the hundreds of millions currently being pledged are miserly. Economist Jeffrey Sachs proposes to spend between $10 and $15 billion dollars on a five-year development program. "The obvious way for Washington to cover this new funding," he writes, "is by introducing special taxes on Wall Street bonuses." In a New York Times op-ed, former Presidents Bill Clinton and George W. Bush profess to want to help Haiti "become its best." Some job they did of that when they were actually in office.

All this works to salve the consciences of people whose dimly benign intention is to "do something." It's a potential bonanza for the misery professionals of aid agencies and NGOs, never mind that their livelihoods depend on the very poverty whose end they claim to seek. And it allows the Jeff Sachses of the world to preen as latter-day saints.

For actual Haitians, however, just about every conceivable aid scheme beyond immediate humanitarian relief will lead to more poverty, more corruption and less institutional capacity. It will benefit the well-connected at the expense of the truly needy, divert resources from where they are needed most, and crowd out local enterprise. And it will foster the very culture of dependence the country so desperately needs to break.

How do I know this? It helps to read a 2006 report from the National Academy of Public Administration, usefully titled "Why Foreign Aid to Haiti Failed." The report summarizes a mass of documents from various aid agencies describing their lengthy records of non-accomplishment in the country.

Here, for example, is the World Bank—now about to throw another $100 million at Haiti—on what it achieved in the country between 1986 and 2002: "The outcome of World Bank assistance programs is rated unsatisfactory (if not highly so), the institutional development impact, negligible, and the sustainability of the few benefits that have accrued, unlikely."

Why was that? The Bank noted that "Haiti has dysfunctional budgetary, financial or procurement systems, making financial and aid management impossible." It observed that "the government did not exhibit ownership by taking the initiative for formulating and implementing [its] assistance program." Tellingly, it also acknowledged the "total mismatch between levels of foreign aid and government capacity to absorb it," another way of saying that the more foreign donors spent on Haiti, the more the funds went astray.

But this still fails to get at the real problem of aid to Haiti, which has less to do with Haiti than it does with the effects of aid itself. "The countries that have collected the most development aid are also the ones that are in the worst shape," James Shikwati, a Kenyan economist, told Der Spiegel in 2005. "For God's sake, please just stop."

Take something as seemingly straightforward as food aid. "At some point," Mr. Shikwati explains, "this corn ends up in the harbor of Mombasa. A portion of the corn often goes directly into the hands of unscrupulous politicians who then pass it on to their own tribe to boost their next election campaign. Another portion of the shipment ends up on the black market where the corn is dumped at extremely low prices. Local farmers may as well put down their hoes right away; no one can compete with the U.N.'s World Food Program."

Mr. Sachs has blasted these arguments as "shockingly misguided." Then again, Mr. Shikwati and others like Kenya's John Githongo and Zambia's Dambisa Moyo have had the benefit of seeing first hand how the aid industry wrecked their countries. That the industry typically does so in connivance with the same local governments that have led their people to ruin only serves to help keep those elites in power, perpetuating the toxic circle of dependence and misrule that's been the bane of countries like Haiti for generations.

A better approach recognizes the real humanity of Haitians by treating them—once the immediate and essential tasks of rescue are over—as people capable of making responsible choices. Haiti has some of the weakest property protections in the world, as well as some of the most burdensome business regulations. In 2007, it received 10 times as much in aid ($701 million) as it did in foreign investment.

Reversing those figures is a task for Haitians alone, which the outside world can help by desisting from trying to kill them with kindness. Anything short of that and the hell that has now been visited on this sad country will come to seem like merely its first circle.

*Write to bstephens@wsj.com*

OPINION

# The U.S. Isn't as Free as It Used to Be

By Terry Miller

The United States is losing ground to its major competitors in the global marketplace, according to the 2010 Index of Economic Freedom released today by the Heritage Foundation and The Wall Street Journal. This year, of the world's 20 largest economies, the U.S. suffered the largest drop in overall economic freedom. Its score declined to 78 from 80.7 on the 0 to 100 Index scale.

The U.S. lost ground on many fronts. Scores declined in seven of the 10 categories of economic freedom. Losses were particularly significant in the areas of financial freedom, monetary freedom and property rights. Driving it all were the federal government's interventionist responses to the financial and economic crises of the last two years, which have included politically influenced regulatory changes, protectionist trade restrictions, massive stimulus spending and bailouts of financial and automotive firms deemed "too big to fail." These policies have resulted in job losses, discouraged entrepreneurship and saddled America with unprecedented government deficits.

**Economically freer countries enjoy higher per-capita incomes on average. Even France gets it.**

In the world-wide rankings of economic freedom, the U.S. fell to eighth place from sixth place. Canada now ranks higher and boasts North America's freest economy. More worrisome, for the first time in the Index's 16-year history, the U.S. has fallen out of the elite group of countries identified as "economically free" by the objective measures of the Index. Four Asia-Pacific economies now sit atop the global rankings. Hong Kong stands in first place for the 16th consecutive year, followed by Singapore, Australia and New Zealand. Every region of the world maintains at least one country among those deemed "free" or "mostly free" by the Index.

Some countries, notably Britain and China, have followed America's poor example and curtailed economic freedom. But many others—such as Poland, South Korea, Mexico, Japan, Germany and even France—have maintained or expanded economic freedom despite the global crisis. Ignoring the pressures of recession, these enlightened nations have continued to liberalize their economies, granting their entrepreneurs and consumers greater freedom. As a result, the average Index score dropped only 0.1 point in 2010. Eighty-one countries out of the 179 ranked recorded higher scores than in 2009.

These trends are important because study after study shows a strong correlation between economic freedom and prosperity. Citizens of economically freer countries enjoy much higher per-capita incomes on average than those who live in less free economies. Economic freedom also has positive impacts on overall quality of life, political and social conditions, and even on protection of the environment. Perhaps of most significance in these hard times, Index data indicate that freer economies do a much better job of reducing poverty than more highly regulated economies.

The public sector can't match the vitality of the private sector in promoting growth. Governments, even those that promise change, are primarily agents of the status quo. They tend to reflect the views and needs of those already holding political or economic power. Even democratic nations have their vested interests. Real change, however, can happen when those outside the mainstream have the freedom to try new things: new production processes, new technologies and new methods of organizing workers and capital.

It is common these days to dismiss as simpletons or ideologues those who speak in favor of the free market or capitalism. An honest assessment shows otherwise. Economic freedom, as represented in the Index of Economic Freedom, is a philosophy that rejects all economic dogma, championing instead the diversity that follows when entrepreneurs are free to choose their own paths to prosperity.

The abiding lesson of the last few years is that the battle for liberty requires perpetual vigilance. President Obama professes desire to foster prosperity, environmental protection, poverty reduction and better health care. How ironic, then, that his economic proposals so consistently ignore or even undermine the one system—free enterprise capitalism—that has proven best able to achieve those goals.

Now America's once high-flying economy is barely crawling forward. Americans deserve better, and they can do better—just as soon as they reverse course and start regaining the economic freedom that made America the most prosperous country in the world.

*Mr. Miller is director of the Center for International Trade and Economics at the Heritage Foundation. He is co-editor, with Kim R. Holmes, of the "2010 Index of Economic Freedom" (471 pages, $24.95), available at heritage.org/index.*

## 2010 Index of Economic Freedom

| | | | | |
|---|---|---|---|---|
| 1. Hong Kong | 40. Barbados | 76. Uganda | 113. Brazil | 150. Belarus |
| 2. Singapore | 41. Mexico | 77. Namibia | 114. Indonesia | 151. Equatorial Guinea |
| 3. Australia | 42. Kuwait | 78. Cape Verde | 115. Benin | 152. Central African Republic |
| 4. New Zealand | 43. Oman | 79. Belize | 116. Gabon | 153. Guyana |
| 5. Ireland | 44. Israel | 80. Kyrgyz Republic | 117. Pakistan | 154. Angola |
| 6. Switzerland | 45. Peru | 81. Paraguay | 118. The Gambia | 155. Lesotho |
| 7. Canada | 46. United Arab Emirates | 82. Kazakhstan | 119. Senegal | 156. Seychelles |
| 8. United States | 47. The Bahamas | 83. Guatemala | 120. Sri Lanka | 157. Sierra Leone |
| 9. Denmark | 48. Malta | 84. Samoa | 121. Yemen | 158. Uzbekistan |
| 10. Chile | 49. St. Vincent and the Grenadines | 85. Fiji | 122. Malawi | 159. Chad |
| 11. United Kingdom | 50. Latvia | 86. Dominican Republic | 123. Côte d'Ivorie | 160. Burundi |
| 12. Mauritius | 51. Hungary | 87. Ghana | 124. India | 161. Togo |
| 13. Bahrain | 52. Jordan | 88. Mongolia | 125. Moldova | 162. Ukraine |
| 14. Luxembourg | 53. Albania | 89. Lebanon | 126. Papua New Guinea | 163. Liberia |
| 15. The Netherlands | 54. Costa Rica | 90. Burkina Faso | 127. Tonga | 164. Timor-Leste |
| 16. Estonia | 55. Trinidad and Tobago | 91. Morocco | 128. Tajikistan | 165. Comoros |
| 17. Finland | 56. Macedonia | 92. Croatia | 129. Niger | 166. Kiribati |
| 18. Iceland | 57. Jamaica | 93. Rwanda | 130. Nepal | 167. Guinea - Bissau |
| 19. Japan | 58. Colombia | 94. Egypt | 131. Suriname | 168. Iran |
| 20. Macau | 59. Malaysia | 95. Tunisia | 132. Cameroon | 169. Republic of Congo |
| 21. Sweden | 60. Panama | 96. Azerbaijan | 133. Mauritania | 170. Solomon Islands |
| 22. Austria | 61. Slovenia | 97. Tanzania | 134. Guinea | 171. Turkmenistan |
| 23. Germany | 62. Portugal | 98. Nicaragua | 135. Argentina | 172. Democratic Republic of Congo |
| 24. Cyprus | 63. Romania | 99. Honduras | 136. Ethiopia | 173. Libya |
| 25. Saint Lucia | 64. France | 100. Zambia | 137. Bangladesh | 174. Venezuela |
| 26. Georgia | 65. Saudi Arabia | 101. Kenya | 138. Laos | 175. Burma |
| 27. Taiwan | 66. Thailand | 102. Swaziland | 139. Djibouti | 176. Eritrea |
| 28. Botswana | 67. Turkey | 103. Bhutan | 140. People's Republic of China | 177. Cuba |
| 29. Lithuania | 68. Montenegro | 104. Serbia | 141. Haiti | 178. Zimbabwe |
| 30. Belgium | 69. Madagascar | 105. Algeria | 142. Micronesia | 179. North Korea |
| 31. Republic of Korea | 70. Dominica | 106. Nigeria | 143. Russia | **NOT RANKED** |
| 32. El Salvador | 71. Poland | 107. Cambodia | 144. Vietnam | Afghanistan<br>Iraq<br>Liechtenstein<br>Sudan |
| 33. Uruguay | 72. South Africa | 108. Vanuatu | 145. Syria | |
| 34. Czech Republic | 73. Greece | 109. The Philippines | 146. Bolivia | |
| 35. Slovakia | 74. Italy | 110. Bosnia and Herzegovina | 147. Ecuador | |
| 36. Spain | 75. Bulgaria | 111. Mozambique | 148. Maldives | |
| 37. Norway | | 112. Mali | 149. Sao Tome and Principe | |
| 38. Armenia | | | | |
| 39. Qatar | | | | |

# Playing Politics With Japan's Money Supply

By Robert Madsen

With deflation again threatening the Japanese economy, policy making appears as dysfunctional as ever. Politicians and the Ministry of Finance say falling prices are a monetary problem that must be solved by the central bank, while the Bank of Japan claims the fiscal authorities should reflate the economy. The BOJ is wrong. It has chosen yet another inappropriate moment and manner to demonstrate its independence from the government.

The Japanese central bank has a long record of failure in its primary duty of maintaining price stability, which most economists define as an annual increase in the consumer price index of 1% to 2%. Since gaining its statutory independence from the Ministry of Finance in 1998, the BOJ has never attained that goal. The economy languished in deflation from 1999 until 2006, when the global economic bubble pushed up the cost of oil, metals and other imported goods. Then two years later the bubble imploded, international prices started decreasing, and Japan's CPI descended again into negative territory.

There are multiple reasons for the BOJ's poor performance. The main political factor is the central bank's determination to assert its autonomy by resisting pressure for easy money. The foremost economic factor is the inadequate demand that has bedeviled Japan for nearly 20 years, impairing the efficacy of such conventional monetary mechanisms as interest rates and reserve ratios. So when the banking system approached collapse a decade ago, the BOJ was compelled to pioneer what is now called "quantitative easing"—large-scale purchases of commercial paper, government and corporate bonds, equities and other securities—to improve credit conditions and safeguard the financial sector.

But the central bank did not go very far in this initial round of unconventional stimulus. Once the specter of a banking crisis had lifted in late 2002, the BOJ began tightening even though consumer prices were still decreasing. Bank spokesmen contended that the bank had done all it could to influence price levels and that the answer was for the fiscal authorities to stimulate demand more assertively. This created friction with the government, which felt that the BOJ could do more.

The government was right. To paraphrase Milton Friedman, deflation is always and everywhere a monetary phenomenon. Putting the argument in the extreme, the BOJ could use its printing presses to issue an infinite supply of yen and then buy up the country's entire stock of commercial paper, government and corporate bonds, equities, real-estate investment trusts, actual real estate and—if it wanted—even commodities like rice and pork bellies. At some point the monetization of the economy would inevitably cause the inflation rate to rise into the target range.

**The central bank is picking the wrong time and the wrong way to assert its independence.**

International developments over the last two years substantiate this perspective, albeit in more moderate form. The global crisis eviscerated demand in the United States and Britain, and their central banks reacted with such forceful quantitative easing that the deflationary impetus was checked and the outlook for economic growth brightened significantly. Rather than emulate that strategy, as soon as Japan emerged from the acute phase of the crisis the BOJ declared that it would unwind its relatively timid quantitative easing, despite the fact that in October its own economists forecast that prices would decline through fiscal 2011.

Since then political pressure has mounted and the monetary authorities have backtracked. In December they offered 10 trillion yen ($110 billion) in new lending to financial institutions, and now Bank Governor Masaaki Shirakawa has announced that the broader quantitative easing measures will not be reversed anytime soon. But this will not suffice: The fact that prices fell at an average rate of 2% year-on-year in the second half of 2009—the fastest deflation in recent memory—demands extraordinary action.

The BOJ cannot in today's circumstances reasonably resist political demands for looser monetary policy. The likelihood of inflation rising to 1% to 2% in the next couple of years is negligible. Recent BOJ surveys find that more households expect deflation now than at any other time on record. Such deflationary expectations discourage consumption and investment in the expectation of lower prices in the future, even as the appreciating currency generates additional deflationary momentum.

Japan's national finances likewise call for easy money. Gross national debt already stands at a vertiginous 200% of GDP and is increasing rapidly. If the country has any hope of bringing that under control, it must embark on a strict program of fiscal retrenchment as soon as the economy is sufficiently strong. But such fiscal discipline will not be possible if the BOJ refuses to provide offsetting monetary stimulus.

Central bank independence is not an end in itself. The BOJ was given autonomy because Japan wanted better monetary management. Today responsible policy means bolder attempts to generate inflation. This may be demeaning to a central bank that wants to appear tough. But if the BOJ fails again to fulfill its duty, the government may need to reconsider the agency's statutory independence.

*Mr. Madsen is a senior fellow at the Center for International Studies at MIT.*

IN DEPTH: EARTHQUAKE IN HAITI

# Rescue teams post victories, lifting survivors from debris

*Woman is pulled from rumble of her home after surviving six days; U.N. official cites 'fantastic success' of efforts*

Agence France-Presse/Getty Images

A rescue worker searches among the ruins of a collapsed building in Haiti's quake-stricken capital, Port-au-Prince, on Monday.

By Michael M. Phillips and Joe Lauria

A woman who had been buried in her bed for six days under the rubble of her two-story home was pulled out alive Monday, illustrating one of the defining features of the Haitian quake: the remarkable number of people rescued from collapsed buildings.

"The search-and-rescue has been a fantastic success this time," said Sir John Holmes, the United Nations Under-Secretary-General for Humanitarian Affairs and Emergency Relief Coordinator. "They've pulled out more people than is normally the case." Search-and-rescue teams from around the world had saved 71 people as of Monday, said Tim Callaghan, chief of the U.S. Disaster Assistance Response Team in Haiti. That figure doesn't count those saved by ordinary Haitians digging with shovels, sticks and their bare hands.

A key factor, Sir John said, is "the nature of some of the buildings: collapsed prepressed concrete slabs, which tend to leave gaps when it crashes down. It crushes some people horribly, but it can leave gaps for people to survive miraculously." He said other advantages are Haiti's mild weather, which helps trapped people survive, and the fact that rescue teams arrived very quickly.

The woman rescued from her bed "was lying face down on the mattress with the first-floor ceiling pressing her down," said Brian Miura, an emergency-room physician from Torrance, Calif., who was part of the Los Angeles Country team that saved the woman.

The rescuers used listening devices and dogs to find her approximate location. Then they cut a hole through the roof and, beneath that, the collapsed walls. Then they reached through a 2 1/2-foot gap and cut away the base of the bed to extract her.

Dr. Miura described the woman as "hysterical" when she emerged. The rescuers pumped her full of fluids and sent her to a Brazilian hospital. Dr. Miura expected her to survive the ordeal.

The crew had pulled two sisters out of a different room of the same house on Sunday.

U.S. and other rescue teams continued search operations Tuesday, despite what they admit are ever-slimmer chances of finding survivors beneath the rubble.

The odds of finding survivors fall after seven or eight days, according to Mark Stone, a spokesman for a search-and-rescue team from Fairfax, Va.

"The window is shutting relatively quickly," Mr. Stone said.

Still, "there might be a needle in the haystack, so don't give up," Rex Strickland, operations chief for the Fairfax team, told his 72-member crew Tuesday morning.

The Fairfax team sent a crew to look for more survivors at the Hotel Montana.

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Associated Press

Maxi Phalone, right, reacts after her sister was pulled alive from rubble in Port-au- Prince Monday.

IN DEPTH: EARTHQUAKE IN HAITI

# Aid quickens but delays mar efforts

By Charles Forelle, José de Córdoba And Joe Lauria

Reuters

Local relief workers hand out food and water at a drop off zone in Port-au-Prince as a U.S. Navy helicopter makes a delivery on Tuesday.

One week after an earthquake pulverized Haiti, emergency supplies of water, food and medicine are beginning to reach large numbers of the country's desperate survivors. The number of U.S. troops in Haiti is to reach about 10,000 this week to help transport emergency supplies, provide security and clear debris.

In the interim, however, residents have perished as distraught relatives awaited rescue teams and equipment that didn't arrive in time. Homeless people still camp on the streets, wondering why aid is taking so long. "They say there's help, but it doesn't arrive," said Henock Volmidor, an unemployed hotel worker, at a makeshift refugee camp on Monday.

It wasn't supposed to be this way. After the Indian Ocean tsunami in 2004 that killed at least 230,000 people in 13 countries, the United Nations and emergency-relief organizations vowed to avert the disorganization that plagued that effort. More than 300 charities showed up in Aceh, Indonesia, with little coordination between them.

The U.N. established a rapid-response system to coordinate the work of its agencies with nonprofit organizations, an online database to track assistance and avoid duplication, and a special emergency-relief fund that released $10 million within 24 hours of the Haitian quake. The U.N. quickly sent to Haiti an assessment team whose tasks included dispatching search-and-rescue squads that arrived from Iceland, China, France and the U.S. Meanwhile, what was left of the Haitian government put out an urgent request to the U.S. ambassador for help.

"The message, basically, was, 'Send everything you've got,' " says State Department spokesman P.J. Crowley.

Relief experts working in Haiti say the new U.N. system has prevented the kind of chaos evident in Aceh, although it remains imperfect. "Any system you have will struggle in the first 24 to 48 hours, not to organize itself, but to get stuff on the ground," says John Holmes, U.N. Under-Secretary-General for Humanitarian Affairs. Some disorganization also has been evident.

During a visit to Haiti on Sunday, U.N. Secretary-General Ban Ki-moon conceded international search-and-rescue teams needed to be "more balanced" in looking for victims of all nationalities and not just their own. He also suggested too few teams had been sent—even though on Friday, the U.N. had appealed to nations not to send any more rescue squads.

On Tuesday, the U.N. Security Council unanimously agreed to boost the number of U.N. peacekeepers and police in Haiti by 3,500, which will bring the U.N. Haiti force, known as Minustah, to 12,651, according to Reuters.

It has been unclear at times who is in charge—the U.S. military, which controls the main airport, or the U.N., which ostensibly oversees the relief operation. Benoit Leduc, operations manager for Doctors Without Borders in Haiti, on Monday said "hundreds of lives" were lost because five of its planes carrying surgical teams and equipment were diverted to Santo Domingo.

"I don't really know who is in charge," he said. Several countries and other aid groups also have complained that the U.S. military has refused to let some of their supply planes land at Haiti's crippled airport.

"It's a question of physics," says Capt. John Kirby, a U.S. military spokesman in Haiti. "The airport is the only way in, it only has one runway, and there are literally hundreds of flights trying to make it in."

The U.S. military is reluctant to move shipments out of the airport without a security escort, sometimes causing added delays.

Yet a team of Cuban doctors were seen Monday treating hundreds of patients without a gun or soldier in sight. The deputy chief of mission at the American Embassy in Haiti, David Lindwall, said the U.S. had done a lot, but that some teams and supplies "aren't getting out as broadly as we'd like because of security" concerns.

Still, search and rescue teams from around the world have saved 71 people from the rubble of fallen buildings, said Tim Callaghan, chief of the U.S. Disaster Assistance Response Team in Haiti, on Wednesday. He said 39 of those were saved by U.S.-based teams.

On Tuesday, a task force of 2,000 U.S. Marines established a beachhead in the relief-starved western neighborhoods of Port-au-Prince, creating the first major distribution point for humanitarian supplies outside the capital's overburdened airport.

Many relief experts say no global response plan could likely have averted the delays seen during the initial days. "Here you have a disaster of huge magnitude concentrated in the capital of one of the most dysfunctional countries in the world," says Andrew Natsios, who ran the U.S. Agency for International Development under President George W. Bush and is a veteran of relief operations since the 1980s.

*—Steve Stecklow, Neil King and Yochi J. Dreazen contributed to this article.*

# Homelessness is a new threat for survivors

By Dionne Searcey And Charles Forelle

Associated Press

People crowd a makeshift camp for survivors set up on a golf course in Port-au-Prince Tuesday.

PORT-AU-PRINCE, Haiti—Swaths of Haiti's capital have been transformed into vast refugee camps, as Haitians who saw massive loss of life from last week's earthquake now grapple with widespread homelessness.

Hundreds of thousands of newly homeless residents of Haiti's capital have set up makeshift homes here, everywhere from public squares to gasoline stations. The Haitian government estimates that more than one million of a population of some 10 million have lost their homes and that in some neighborhoods, 80% of the buildings were destroyed. Atlanta-based CARE, a relief organization, said 80% of its 33 staff members had lost their homes.

The city's central Champs de Mars—a sort of National Mall of Haiti—has become a swollen tent city. Women and children bathe and do laundry in dirty tubs. A few clusters of people prepare stews of onions and a few wilted greens. But mostly, with deliveries of food, water and medicine still sporadic at best, the thousands here have nothing.

"Things we need are food and water," says Enock Virgil, whose house was demolished and who is living in the camp. "There is no food, no toilets."

How to get emergency supplies like food and water to those made homeless by the quake is one of the major short-term issues facing the international community in the aftermath of the magnitude-7.0 earthquake, which killed anywhere from 45,000 to 200,000 people, according to estimates. Where the homeless are going to live and how to rebuild their homes will be a challenge for months and years to come.

Large volumes of supplies continued to arrive into the country Tuesday. But the relief effort was hobbled by the sheer scale of the damage, transport bottlenecks and security worries.

European nations pledged more than $500 million in emergency and long-term aid. The U.S. has said it would surpass its previous pledge of more than $100 million. Bill Clinton, the U.N.'s special envoy to Haiti, arrived to get a first-hand look at conditions here and promised long-term help.

People here will need it. The Haitian capital was so devastated by the earthquake a week ago that tens of thousands of residents have fled to the countryside. In some neighborhoods, 80% of the buildings were destroyed. Those that survived the destruction of their homes huddle with their few remaining possessions: a few pots and pans, some rice and beans.

At the Champs de Mars on Monday, in the shadow of the crumpled National Palace, some survivors sat on grass and others lay on lumpy cobblestone before a statue of Toussaint Louverture, the Haitian independence hero. Naked children ran under laundry lines strung up between tent poles, usually branches or scrap wood propped up by broken cinder blocks. One thing in plentiful supply in Port-au-Prince is broken cinder blocks.

The camp is hot and smelly with little shade. There was also little aid, save for a team of Cuban medics administering tetanus shots. U.N. search-and-rescue trucks drove past the refugees. Filled with rescuers, they had no aid to offer.

Inside the camp, Kedelyne Jeanbaptiste tended her two children, ages 3 and 12. Ms. Jeanbaptiste, 32, arrived Wednesday after the tin roof of the two-story building where she lived collapsed on top of her. She wasn't badly injured. She said aid had been slow to arrive to the camp, even though it is situated at the center of town. She and others camped around here had been cooking their own rice and beans on a coal stove but were worried about running low. "If we were waiting for them to bring something we would never get anything," she said.

*Special Advertising Section*

# ASIAN FINANCE

# Meeting is a bellwether of region's concerns

*Forum focuses on changes in regulation, growth of the Chinese economy and the internationalization of the renminbi*

The Asian Financial Forum (AFF) 2010, a gathering with more than 1,500 registered top-tier government and business figures in Hong Kong, has established itself as Asia's foremost assembly of finance experts. Its status comes not just from the eminence of its attendees, but from its nuts-and-bolts approach to examining financial policy and exploring new business opportunities, with plenary sessions, panel discussions and policy exchanges that emphasize direct dialogue and concrete results.

The three-year-old forum has a strong regional focus, with Asian concerns dominating the agenda. "The forum is about Asia, and about international financial markets, and it has the backing of many top figures from Hong Kong and elsewhere," says Professor K. C. Chan, Hong Kong's secretary for financial services and the treasury, who will be one of the speakers at the forum. "It is a gathering of top people from around the world, such as regulators, government officials, bankers and business leaders."

As a result of its focus on Asia and its emphasis on dialogue, the forum is a bellwether of Asia's most urgent financial concerns and its most timely business opportunities. The theme of the 2010 meeting, to be held Jan. 20 and 21, is "Asia in the New Economic Order" and subjects of interest will include new regulations enacted in the wake of the global recession, policies that might prolong Asia's fledgling recovery and promote future growth and business prospects resulting from those policies.

## Hot topics

"The major hot topics will be regulatory changes — global changes in regulations and how they affect Asia — and the growth of the Chinese economy and the investment opportunities that provides for different investors, as well as how the internationalization of the renminbi shapes the new economic order," says Prof. Chan, speaking from Hong Kong. "And another major topic is the new industries and new investments that will result from the heavy infrastructure spending in this region."

Mainland China will generate particular interest, says Benjamin Chau, deputy executive director of the Hong Kong Trade Development Council (HKTDC), a co-organizer of the AFF. "The forum will provide insight into how Asia's China-led recovery from the global economic crisis has created opportunities," he says. "In 2009, when many countries were affected by the global financial tsunami, China was able to recover from the crisis and achieve economic growth of 8%. It holds a lot of opportunity not only for corporations in China but also elsewhere. So we will also focus on China, particularly infrastructure projects in China."

The Hong Kong delegation will also bring the forum up to date on the Special Administrative Region's role in promoting broader use of the renminbi in trade transactions, and providing more renminbi-based investment opportunities. Mainland China is using Hong Kong as a test case for further liberalization of its currency, and to promote its greater use. "The case for internationalization of the renminbi is getting stronger as the Chinese economy becomes more important, and its trading partners would like to see more renminbi trading against the other currencies," says Prof. Chan.

*Mainland China is using Hong Kong as a test case for further liberalization of its currency, and to promote its greater use.*

The process of transforming the renminbi into a more widely used currency has been slow, but a number of milestones have been achieved. Hong Kong residents were first allowed to have renminbi deposits and exchange services in 2004, and renminbi checking services in 2005, and those measures have proven popular. The issuance and trading of renminbi bonds was introduced in June 2007, as financial institutions from mainland China were allowed to issue renminbi bonds in Hong Kong, and Hong Kong remains the only place outside mainland China with a renminbi bond market. In October 2009, the first renminbi-denominated sovereign bond was issued in Hong Kong, and it was also popular with local investors.

Another milestone was reached in July 2009, with the launch of the renminbi Trade Settlement Pilot Scheme, which allows cross-border trade transactions between hundreds of designated companies and designated cities inside and outside of mainland China to be settled in renminbi. Currently, Shanghai, Guangzhou, Shenzhen, Dongguan and Zhuhai are the designated mainland China cities, while Hong Kong, Macau and the Association of Southeast Asian Nations (Asean) countries are the areas outside the mainland's monetary system covered by the agreement. It marks the first time the renminbi has been used for cross-border trade transactions through the banking system, and it is also helping to transform Hong Kong into a key renminbi clearing center.

*Hong Kong is the only place outside mainland China with a renminbi bond market.*

Restrictions on the number of companies and the number of regions using the pilot scheme have limited its utility, but Prof. Chan is optimistic that it will be expanded. "The pilot scheme was introduced by mainland authorities, so it makes a lot of sense that we will see a more important role for it," he says.

Still, the renminbi must jump some key hurdles before it can become a widely accepted currency. It is not widely convertible, and because China's financial markets are not well developed, there are few options for investing in renminbi-denominated financial assets. "You will see the rise of the renminbi in Asia, but whether Asian countries will use the renminbi for more financial transactions, and whether they will keep renminbi denominated assets, is uncertain," says Dr. Jong-Wha Lee, chief economist at the Asian Development Bank, speaking from Manila.

Talk of the renminbi becoming a "third pillar" of the global monetary system is also premature. "At this point the U.S. dollar and the euro have a clear advantage over the renminbi, and we don't foresee in the near future the renminbi could overtake the other major currencies," says Dr. Lee. "Basically, it is a dollar-dominated system."

Nonetheless, the renminbi will likely play a larger role in Asia, he says, especially in the transaction of goods and services, because trade with China is growing. At the same time, the fact that China is promoting wider use of the currency will also give it a boost.

There are other pressing financial policy issues on the AFF agenda as well. This year's forum comes at a critical time for Asia: most of the region has recovered from the global recession but further growth is not guaranteed, especially with the U.S. and much of Europe still suffering slow growth. As a result, key policy discussions will include reducing Asia's export dependence, stimulating its domestic consumption and examining the effectiveness of its stimulus programs.

## Encouraging consumption

"It is very difficult to expect consumption from the U.S. or other countries to provide export demand for emerging Asia," says Dr. Lee, who will be one of the speakers at the forum. "Asian countries need to stimulate domestic demand further. So how to strengthen domestic demand by encouraging private consumption and investment, as well as revitalizing domestic industries, are very important issues."

Under present conditions, he believes stimulus programs are an effective short-term solution. "In the current environment it is very difficult to expect that private demand will replace the public stimulus packages," he says. "Maybe we can argue that monetary and fiscal policies should remain accommodative to support domestic demand for a while." A more long-term solution would be to increase domestic demand, and how that can be accomplished will be another key question at the forum.

The AFF is also expected to cover topics related to energy and natural resources, which have aroused significant interest from the participants, says Mr. Chau of the HKTDC. And beyond that, its broad agenda and high-octane roster of participants makes it a must-attend meeting for anyone interested in the region's financial outlook. "This forum is the best place to gather first-hand financial intelligence about Asia," says Mr. Chau.

*Special Advertising Section*

# Hong Kong provides testbed for uses of the renminbi

*Prof. K.C. Chan*

*Use of the renminbi in Hong Kong is expanding steadily, with mainland China using the city as a testing ground for wider international use of its currency and its future convertibility.* ***Prof. K. C. Chan****, Hong Kong's secretary for financial services and the treasury, explains the process and its potential.*

*Q: Why is mainland China using Hong Kong to explore broader use of the renminbi?*
A: Hong Kong is in a good position because it is the most internationalized finance center in Asia, is a part of China and it has a well-established network of financial institutions. It also has a market and regulations that are well understood by the international community, so it is a very natural outgrowth of our market to be the testing ground for renminbi financial products.

*Q: How well is the Trade Settlement Pilot Scheme working?*
A: The scheme is growing steadily though it is still limited to a number of companies as well as some selected cities. Companies are trying to understand the technical details of using it, and because the number of companies that are using it is limited, it is still short of gaining wide acceptance. Our banks have made many suggestions on how to expand the scope, and how to refine the pilot scheme so that it is more widely used, so I expect it to grow in the future. That will happen as people get more used to the idea, and more companies are encouraged to use it.

(Under the pilot scheme, cross-border trade transactions between the selected cities in mainland China, Macau, Hong Kong and the Asean countries are eligible for settlement in renminbi. The program requires commercial banks to deliver renminbi services such as deposit taking, currency exchange, trade finance and interbank transfers.)

*Q: What would be the next step for the renminbi in Hong Kong?*
A: The next step would be to see the introduction of more renminbi investment products. The availability of more such products will encourage greater demand for the currency.

*Q: What needs to happen to broaden Hong Kong's role in the renminbi capital market?*
A: Hong Kong has already been a pioneer in introducing renminbi products. An example is the issuance of renminbi bonds in Hong Kong since June 2007, and also the launch of the renminbi sovereign bond in Hong Kong in October of last year. Banks and investors in Hong Kong have been very enthusiastic about the renminbi bonds. So I hope to see more bond products issued in Hong Kong by more diverse entities, and that some of them can be listed in the Hong Kong market.

*Q: Besides the renminbi, what other steps do you foresee in the financial integration of Hong Kong and mainland China?*
A: We have seen tremendous progress in 10 years. We have sizable renminbi deposits in our banking system. In recent years we have seen many mainland financial institutions developing a presence in Hong Kong. We think Hong Kong can be very helpful to Chinese financial firms in developing their international business as well as in asset management.

*The text of this Special Advertising Section was written by Brent Hannon*


Asia in the New Economic Order

AFF
亞洲金融論壇
ASIAN FINANCIAL FORUM

20 - 21 January 2010
Hong Kong Convention and Exhibition Centre

As a new economic landscape emerges from the global financial crisis, the world's financial leaders are meeting today and tomorrow in one of the world's leading financial centers – Hong Kong.

The Asian Financial Forum brings together some of the financial world's most influential minds. You can tune into their insights and views at **www.youtube.com/hktdc**, or by visiting our website www.asianfinancialforum.com

Asia's world city HONG KONG

THE KRAFT-CADBURY DEAL

## From bitter to sweet

After resisting a tie-up for months, Cadbury agreed to a fattened $19.5 billion takeover offer from U.S. food group Kraft, a deal that would create the world's biggest chocolate maker.

**Sept. 7, 2009** Kraft goes public with bid for Cadbury. Cadbury says the offer "fundamentally undervalues" the company.

**Nov. 9, 2009** Kraft formalizes the offer, initially valued at £10.2 billion.

**Nov. 18, 2009** Hershey and Ferrero say they are mulling a possible bid.

**Dec. 14, 2009** Cadbury promises higher sales and profit margins and again asks them to reject the Kraft bid.

**Dec. 16, 2009** U.K.'s Mandelson warns that any Cadbury acquirer should respect its heritage and work force.

**Jan. 5, 2010** Kraft sweetens offer. Nestle rules out bid. Berkshire warns Kraft against "blank check."

**Jan. 6, 2010** Board members at Cadbury hold talks with directors at Hershey, people familiar with the matter say.

**Jan. 12, 2010** Cadbury posts a strong 2009 performance and forecasts further progress in 2010.

**Jan. 19, 2010** Kraft raises bid and Cadbury accepts

# *Kraft wins over Cadbury after four-month fight*

*Continued from first page*

tors, that selling to Kraft now is the right thing to do.

Cadbury shareholders have until Feb. 2 to accept the offer.

It appears likely that **Hershey** Co., which has considered making a bid, will drop out. People familiar with the matter said 850 pence is out of the Pennsylvania company's price range. Moreover, the Kraft-Cadbury accord includes a £117.7 million breakup fee, which would add to Hershey's bidding cost.

The U.K. takeover panel on Tuesday gave Hershey until Monday to announce a competing Cadbury bid or take itself out of the running.

Cadbury shares rose 3.4% to 835 pence in London. After trading for months at a premium to the offer, the shares now trade at a discount, indicating investors aren't expecting a higher offer. As part of the new offer, Kraft said it would reduce the level of required acceptances from Cadbury shareholders to 50% plus one share from 90%.

The latest round of talks was initiated by Kraft on Monday, according to a person familiar with the matter. Kraft Chief Executive Irene Rosenfeld had returned to London over the weekend after spending last week in the U.K. trying to sell Cadbury shareholders on the deal.

The move to engage with Kraft was an abrupt U-turn for Cadbury and its chairman, Roger Carr. He called Kraft a "low-growth conglomerate," accused it of showing "contempt" for Cadbury shareholders with its initial offer price and asked those shareholders not to let their company be "stolen." He and Cadbury Chief Executive Todd Stitzer have also criticized the track record of Kraft management, led by Ms. Rosenfeld. The two men repeatedly signaled that they would rather do a deal with Hershey, which they indicated would be a better cultural and operational fit for Cadbury.

The deal comes with significant risks for Kraft. Cross-border transactions have tended to fare poorly over the years. And Kraft's own shareholders—including its largest holder, Warren Buffett's **Berkshire Hathaway**—have publicly worried about overpaying for Cadbury.

Ms. Rosenfeld met with Mr. Buffett recently, and he was "totally supportive" of the new terms, a person familiar with Kraft's offer said. Mr. Buffett didn't return calls seeking comment.

The billionaire investor had said he would vote against the issuance of shares Kraft had planned to use to help pay for the deal before it was reconfigured. The new offer involves the issuance of fewer shares and no longer requires a Kraft shareholder vote.

Ms. Rosenfeld said Tuesday that over the course of the transaction she had conversations with many investors, including Mr. Buffett, and they told her there was "tremendous intrinsic value" in Kraft shares. That eventually pushed Kraft to significantly reduce the number of shares in the transaction.

Combining with Cadbury would catapult Kraft into the highest tier of the global confectionery industry, potentially expanding Kraft's sales outside of North America and Europe.

Already, Cadbury is the biggest confectioner in growth markets like India, Mexico, Egypt and Thailand, according to consulting firm Euromonitor International, and emerging markets provide 38% of its global sales, compared with about 20% at Kraft. Cadbury's sales in the Asian-Pacific region alone amount to about 20% of the company's revenue. Cadbury has about $500 million in annual sales in Mexico, while Kraft has about $350 million there, according to Barclays Capital analyst Andrew Lazar.

Buying Cadbury would also add strong sales of chewing gum, especially in Latin America, to Kraft's portfolio. Confectionary products typically have higher margins than Kraft's company-wide margin.

In addition, Kraft would be able to secure more sales at convenience stores in the U.S. and Europe, a growing outlet for selling food in small servings. The gum, chocolate and other food sold in those outlets tend to carry higher profit margins than food sold at a grocery store, and convenience stores typically carry few Kraft products. Acquiring Cadbury would immediately give Kraft a potentially new, and more profitable, channel of distribution.

"It's a great deal for Kraft as it minimizes dilution of shareholders," said William Ackman, head of Pershing Square Capital Management, which owns about 2.2% of Kraft. "Cadbury could not have achieved the same values on its own."

A deal would largely consign Hershey to selling chocolate in the U.S., a country with a slow-growing population in the midst of deep economic turmoil. Without greater access to growth markets Hershey faces a future of sales and earnings growth largely dependent on price increases or cost cuts. A spokesman for Hershey declined to comment.

For Mr. Carr, the Cadbury chairman, the current saga began at the Lisbon airport one Friday afternoon last August. On his personal mobile phone, he found a voice mail from Kraft CEO Ms. Rosenfeld asking him for a meeting in London the following week.

When the two later met at Mr. Carr's office, Ms. Rosenfeld surprised Mr. Carr by almost immediately announcing she had a proposal to make. What surprised him even more was that she expected a swift answer, he recalled. Mr. Carr said the price she had proposed was inadequate, and that he needed to confer with Cadbury's board. The meeting with Ms. Rosenfeld lasted a mere 20 minutes.

"She got on her Gulfstream, she flew back to America and I never heard from her again—until the letter," Mr. Carr recalled, referring to the Aug. 28 letter that put the iconic company on the block.

*—Michael Carolan, Cecilie Rohwedder and Anjali Cordeiro contributed to this article.*

# Cadbury's harsh anti-Kraft rhetoric echoes around agreement

By Cecilie Rohwedder

LONDON—Only last week, **Cadbury** PLC Chairman Roger Carr dismissed the management of **Kraft Foods** Inc. as unworthy of investor confidence, attacked its track record and said there was "no strategic, operational, managerial or financial reason" why Kraft and Cadbury should become one company.

On Monday, he and the rest of the Cadbury board unanimously voted to accept Kraft's improved, $19.4 billion offer for Cadbury. In a statement, Mr. Carr said he was "pleased" with Kraft's commitment to Cadbury's heritage, values and employees.

The move ends the independence of a 186-year-old icon of U.K. industrial history whose products, beloved by many in Britain and parts of the former British empire, include Dairy Milk, Crème Eggs, Dentyne chewing gum and Halls cough drops.

Mr. Carr now faces the task of demonstrating that his four-month war of words against Kraft succeeded in achieving a better deal for Cadbury shareholders than the one Kraft initially put on the table.

That could be difficult, given the multiple of 13 times Cadbury's earnings that Kraft is paying is less than the multiples paid in other recent food-sector deals—a point Mr. Carr himself has made during the takeover battle.

AFP/Getty Images

CEO Roger Carr penned many of Cadbury's tough public statements.

Mr. Carr personally penned many of Cadbury's tough public statements in the takeover battle. Along with the task of integrating the two companies, Kraft and Cadbury now must find a way to climb down from the belligerent tone between them.

"It will be very difficult," said Allyson Stewart-Allen, director at consulting firm International Marketing Partners, adding that Kraft management faces a challenge persuading Cadbury's work force of the deal's merits.

"Irene Rosenfeld, the Kraft [chief executive officer], will have to sell the value, logic and benefits to Cadbury's work force unless she wants to risk having demoralized workers potentially sabotaging the deal," said Ms. Stewart-Allen. "She has a big marketing job ahead of her."

From the start, the battle for control over Cadbury has been marked by some very aggressive rhetoric—much of it from Mr. Carr. His strategy of insulting Cadbury's suitor included calling Kraft an "unfocused conglomerate" with "unappealing categories" and a management that "under-delivers."

"The message has to be very clear in a situation that is complex," said Mr. Carr in an interview last Thursday. "We've left no doubt in anyone's mind about the value of the business."

Even Todd Stitzer, Cadbury's mild-mannered CEO, joined in the Kraft bashing, warning of cost cuts and job losses "all over the Cadbury world."

But Mr. Carr played bad cop. A 63-year-old takeover veteran, Mr. Carr has chaired some of the most prominent boards in corporate Britain, including Thames Water, now a unit of German utility giant **RWE** AG, pub group **Mitchells & Butlers** PLC and **Centrica** PLC, the parent company of British Gas in the U.K. and Direct Energy in North America, where Mr. Carr is still chairman. Buying and selling companies has been part of every post.

Early in his career, Mr. Carr led what came to be known as the "hit squad" at industrial holding company Williams PLC, which acquired and restructured underperforming businesses in the deal-crazed 1980s, when former Prime Minister Margaret Thatcher deregulated the U.K. economy. As the group's CEO, he later led the group's break-up into two companies, which were sold off for a chunky premium.

In 2000, as chairman of Thames Water, he got Germany's RWE to raise its bid for the U.K. company four times, eventually convincing the buyer to pay four times revenue, a 46% premium.

"His experience makes him ideal material for a situation like this," said John Parker, the chairman of **Anglo American** PLC who until last year chaired the Court of the Bank of England, where Mr. Carr is still a director. "He will do what's right for shareholders. He will not sell the company on the cheap."

A low point in Mr. Carr's career, shortly before he was named chairman of Cadbury, came in early 2008 at Mitchells & Butlers, a company operating pubs, restaurants and bowling alleys where financial bets under his chairmanship resulted in massive losses that led to his resignation. Mr. Carr called the event a "tragedy" at the time.

Today, he says a long career naturally includes highs and lows, and points out that he also made money for Mitchell & Butler shareholders and fended off unwelcome bids for the company.

To be an effective chairman, he said recently, involves understanding "the choreography of a bidding process." A majority of Cadbury shareholders must now accept Monday's deal.

"I have clearly had involvement in a lot of corporate transactions," Mr. Carr said last week. "I've built something of a reputation for building shareholder value."

Mr. Carr came to Cadbury as a director in 2000 and was named chairman in 2008, two months after the sale of Schweppes, the group's drinks business, turned Cadbury into a confectionery-only business. It is now the world's second-largest sweets company behind U.S. chocolate behemoth Mars Inc. Combined, Kraft and Cadbury will outsize Mars.

As of 11 a.m. ET **Euro** 1.4284 ▼ 0.70% **Yen/US$** ¥91.19 ▲ 0.41% **Yen/A$** ¥84.22 ▲ 0.09% **Oil** 77.57 ▼ 0.55% **Gold** 1133.50 ▲ 0.30% **10-year Treasury** ▼ 10/32 yield 3.715% **3-month Libor** 0.24900

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BUSINESS & FINANCE.

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# Toyota seeks out lithium

*Car maker's supplier sets deal with Argentinian firm to secure metal used in car batteries*

By Ann Davis And Daisuke Wakabayashi

A key supplier of **Toyota Motor** Corp. moved to secure a long-term source of lithium in Argentina, in one of the first global natural-resource plays of the electric-car age.

Edging out Chinese buyers, supply and trading firm **Toyota Tsusho** Corp., which is 21.8% owned by Toyota Motor, won Japanese-government backing for the deal through low-cost loans. The deal will be announced Wednesday in Australia and Japan.

The move signals how the search for high-quality lithium for hybrid and electric-car batteries is prompting jockeying for the earth's commodities just as fossil fuels did in the last century.

With demand set to grow rapidly for car batteries, "we think we should start preparing to supply the market from now," Naoto Yamagishi, general manager of the metal-and-mineral resources department at Toyota Tsusho, said in an interview.

The investment would give Japanese corporations ownership of some lithium rather than leave them at the mercy of a few producers if—as some fear—supplies tighten in coming years.

Japanese electronics makers already control a majority of the lithium-ion battery market for electronic devices such as laptop computers. In the new deal, a state-owned Japanese entity, the Japan Oils, Gas and Metals National Corp., is giving Toyota Tsusho financing to secure relatively low-cost lithium for Toyota and others that are competing with South Korean and Chinese rivals in the car-battery market.

The investment is valued at $100 million to $120 million, according to people with knowledge of the matter. Toyota Tsusho will pay for the completion of a feasibility study this year on a lithium project operated in northern Argentina by Australian-listed **Orocobre** Ltd. and will take a 25% stake in the project thereafter.

Although lithium is found in rock formations on many continents, in only a few spots does it exist below the surface of natural salt flats where weather and geography make it the most economical to extract. Developers with access to underground salt brines pump the liquid out and concentrate the lithium into a white powder through steps that include outdoor evaporation.

Mr. Yamagishi said Toyota Tsusho approached Orocobre, citing the potential quality of its supply, located not far from rich deposits in Chile, known as the Saudi Arabia of lithium. He said he doesn't expect supply concerns to be a problem in the next five years, but "if you look at it over 10 years, then we think the supply is going to get extremely tight."

At current prices, lithium represents only about 5% of the cost of either a laptop battery or a large-format battery for a car. But margins in the electronics industry tend to grow thin over time.

> The move signals how the search for lithium is prompting jockeying for such commodities.

The global market for lithium-ion batteries used in automobiles is forecast to grow to 2.25 trillion yen ($24.8 billion) in 2014 from 25 billion yen last year, according to market research firm Fuji-Keizai.

Only 27% of lithium currently goes into batteries, according to the annual report of Socieded Quimica y Minera de Chile SA, which claims a 30% market share of the alkaline metal. Lithium is also used to make ceramic glass and coatings, to cast steel and as a component in lubricating greases. The metal is extremely lightweight, heat resistant and has other properties that also make it ideal for rechargeable batteries.

James D. Calaway, the Houston-based chairman of Orocobre, said in an interview that mining companies active in the Chilean salt flats can increase production, but as with oil fields, lithium reservoirs can be damaged by too-rapid extraction, curtailing future productivity.

Mr. Calaway added that his company had considered investment proposals from one of China's largest lithium-chemistry companies, as well as other companies in the lithium supply chain. "The Asian lithium-ion battery and auto sector is taking a very proactive approach" to securing supplies, he said.

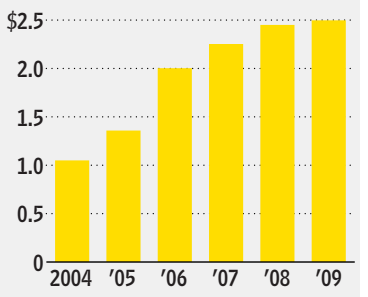
Japanese electronics makers, facing losses on televisions and other consumer electronics, are making a big push to supply lithium-ion batteries for the hybrid and electric vehicles of the future.

**Toshiba** Corp., **Hitachi** Co., and

*Please turn to page 27*

**Low-hanging fruit**

Announced financial-sponsor M&A buyouts* in South Korea, volume in billions of U.S. dollars




* Financial-sponsor buyouts include all entry deals (including late-stage investments) but exclude add-on transactions
Source: Dealogic

# Seoul targets buyout firms with new tax

By Ellen Sheng

HONG KONG—Tax authorities in Seoul are seeking to impose a capital-gains tax on U.S. private-equity firms exiting deals in South Korea, a move industry insiders say is directed at Dallas-based **Lone Star Funds**, which is slated to sell its investment in **Korea Exchange Bank** as soon as this year.

According to lawyers familiar with the situation, the proposed tax, which has been under discussion for several years, resurfaced in recent months in talks between the U.S. and South Korea. Lawyers say it is still unclear what form or level any capital-gains tax might take if the bilateral tax treaty gets amended.

The discussions are heating up at a time when governments are going after financial institutional in efforts to find additional sources of revenue.

Last month, Australian tax authorities ruled that profits from the sale of assets by private-equity firms could be considered taxable income. The move slapped U.S. private-equity firm **TPG Capital** with $620 million in taxes and penalties from its initial public offering of Australian department store Myer Holdings Ltd. in October.

"Governments all over the world need to find ways to generate more revenues in a tough economic environment with high unemployment rates and low business activity," said Neil Chang, international counsel at Debevoise & Plimpton LLP in Hong Kong.

Private-equity firms are seen as "low-hanging fruit" for governments to go after since they are perceived to have benefited from a variety of unfair rules and other advantages, Mr. Chang said.

Korean officials have been under pressure to introduce the tax as U.S. firms such as **Carlyle Group** and Newbridge Capital, now called TPG, have made billions of dollars from

*Please turn to page 27*

# Citi loss shrinks; good sign on loan woes

*A Wall Street Journal Roundup*

**Citigroup** Inc.'s fourth-quarter loss narrowed from a year earlier, but its results continue to show the strains from the bank's huge portfolio of the troubled loans that led to the financial crisis.

Like J.P. Morgan Chase & Co. last week, Citigroup took a cautious view of consumers' credit problems. But while Citi posted its first loss in four quarters, it delivered something that J.P. Morgan didn't: an improvement in losses on consumer loans in the U.S., Asia and Latin America.

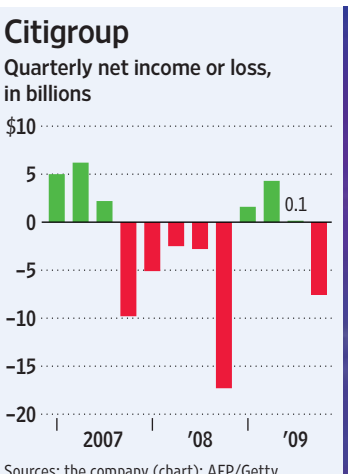
The bank reported a $7.58 billion loss, compared with profits in the previous three quarters, including $175 million of earnings in the third quarter. In midday trading, its shares were up three cents, or 0.7%, at $3.45.

Chief Financial Officer John Gerspach said the company remains cautious and continues to "monitor the future impacts of our current loss-mitigation efforts." He said the company continues "to see indications that credit may be stabilizing or improving, particularly in Asia and Latin America."

Compensation per employee was about flat compared with last year, he said.

**Citigroup**

Quarterly net income or loss, in billions




Sources: the company (chart); AFP/Getty Images (photo)

Net income in all of Citigroup's core business lines fell from the third quarter, although some improved from a year earlier.

In the lines of business that Citi wants to run down or sell, the loss widened.

The far-flung bank was slammed by its exposure to bad consumer loans and some of the exotic securities that were at the heart of the credit crunch, and it ultimately accepted $45 billion in U.S. government aid. Citigroup recently repaid the remaining $20 billion it owed the government, although the Treasury Department still owns more than one-fourth of Citi's common stock. Now the bank is working to reduce the government shadow and sell off its peripheral businesses, focusing on its core of investment banking and global consumer and business banking.

It shed 100,000 jobs during the year and completed 14 asset sales, including the Smith Barney brokerage and Japanese units Nikko Cordial Securities and Nikko Asset Management.

The loss of $7.58 billion, or 33 cents a share, compared with a year-earlier loss of $17.26 billion, or $3.40. Excluding $6.2 billion in items related to the repayment of government aid, the loss was six cents a share. Revenue dropped 4.3% to $5.41 billion.

The bank said it saw some early signs of improvement in its credit business although it still needed to set aside $8.18 billion to cover unpaid loans. That amount was down 10% from the third quarter, and down 36% from a year earlier.

BUSINESS & FINANCE

# Genting ponders U.S. investments

*Malaysia-based casino operator is on the lookout for larger opportunities abroad than in the past*

By Elffie Chew

KUALA LUMPUR, Malaysia—Malaysia-based casino operator **Genting Bhd.** is studying larger investment opportunities in the U.S., the company said Tuesday.

Chief Executive Lim Kok Thay told reporters that the cash-rich company will "look at all investments that will add value and provide higher returns" but declined to elaborate.

"Clearly the investments we are looking at in the U.S. are highly strategic in nature and involve the gaming industry—rest assured we will leave no stone unturned in our search to enhance shareholder value," said Justin Leong, Genting's head of strategic investments, in a subsequent email.

"We are already the largest operator in the U.K. and so it makes sense for us to focus our expansion efforts in the U.S.," said Mr. Leong, who is traveling in the U.S. Genting had cash of 12.57 billion ringgit ($3.76 billion) as of the end of September.

The company doesn't own any major casinos in the U.S., but its interest in the market has grown. In June, Genting invested $200 million in U.S. casino operator **MGM Mirage**, with half of that amount for a 3.2% equity stake and half on a bond issue. MGM Chief Executive Jim Murren has described a growing relationship between the two companies, which he said last June were "starting to brainstorm about global marketing relationships, strategic ventures and partnerships."

Agence France-Presse

Genting chief Lim Kok Thay, shown at a Singapore casino opening in 2007, is reviewing investments that 'add value.'

Also, Genting's controlling Lim family, through Kien Huat Realty, last year made a $65 million debt and equity infusion into Empire Resorts Inc., which is listed on the Nasdaq Stock Market.

The casino industry was hit hard by the U.S. recession and put strain on operators that carried significant debt. But their fortunes have improved as the economic outlook has brightened.

Outside of the U.S., Genting has had operations in the U.K. since 1976 and operates about 40 casinos there. It also plans to open its $4.4 billion Resorts World casino development on Singapore's island of Sentosa, a move that's expected to raise competition in Asia gambling market.

Its Singapore arm is awaiting approval from the government to start its casino operations.

Mr. Lim also dismissed analyst concerns that the commencement of its casino operations in Singapore will cannibalize the group's tourist arrivals in Malaysia.

"We will see growth in tourist arrivals because the pie is bigger," he said, adding Genting is also looking into the possibility of setting up a hub comprising premium outlets, a theme park and hotels in Iskandar, Malaysia, in a bid to draw tourists, including those who are cost-conscious.

*—Jonathan Cheng in Hong Kong contributed to this article*

# ArcelorMittal, BHP may combine iron-ore assets in West Africa

By Andrea Hotter

LONDON—Steel giant **ArcelorMittal** and miner **BHP Billiton** said Tuesday that they are in talks to combine their iron-ore interests in Liberia and Guinea, which would create a platform for a West African iron-ore business.

Talks to combine the assets are expected to take several months. The companies are also seeking support of the West African countries' governments, BHP Billiton said, which is essential for an industry that has had difficulties in the region.

"At this stage it is premature to comment on the nature of the overall investment. We are at an early stage of reviewing the opportunities and development options," a BHP Billiton spokeswoman said.

The discussions include BHP Billiton's 43.5% interest in Guinea's Euronimba, which owns 95% of the Nimba project, including exploration leases at Dieke and Nimba North, as well as the miner's four Liberian leases. The combination would also include ArcelorMittal's 70% interest in five Liberian leases and rights to upgrade Liberia's Yekepa-Buchanan railway and Panamax port.

The close geographic proximity of the deposits means that from an infrastructure perspective, the companies' interests are well matched. BHP Billiton's Nimba is on the border with Liberia, and the company would have faced a journey of several hundred kilometers through rough terrain to get iron ore and raw materials to and from ports near Conakry, Guinea's capital.

ArcelorMittal has made no secret of its desire to reduce its reliance on buying from producers like Anglo-Australian BHP Billiton, rival Rio Tinto and Brazil's Vale SA, and instead become more self-sufficient in producing iron ore, a raw material to make steel. In recent years, ArcelorMittal has stepped up efforts to create its own iron-ore mining hub, and it now owns leases across West Africa, including a large untapped deposit in Senegal. It is already the dominant player in Liberia, which it earmarked as its top priority in the mining sector last decade.

Mining companies have had a rough ride in Guinea since the death of longtime dictator Lansana Conte in December 2008. Junta chief Captain Moussa Dadis Camara seized power, but the self-appointed president's own behavior became increasingly autocratic.

Holding negotiations with international mining companies live on national television, he threatened to close mines and confiscate projects.

The country now has an interim leader, General Sekouba Konate, after Mr. Dadis fled following a Dec. 3 assassination attempt. The country is still reeling from a crackdown on an opposition rally in September in which more than 150 were killed.

Iron ore has been the focus of controversy for the last two Guinean governments. Mr. Conte decided to revoke Rio Tinto's license for the northern part of its Simandou iron-ore concession, a decision that Mr. Dadis upheld. Rio Tinto is contesting that decision.

*—Ross Kelly in Sydney contributed to this article*

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### Corrections & Amplifications

**A photo of 1-year-old** Misa Gureline Bestige that Tuesday accompanied an article about Haiti was taken on Monday. The caption that accompanied the photo in some editions incorrectly said it was taken Sunday.

**According a report** on mergers and acquisitions from professional-services firm Towers Watson and City University London's Cass Business School, acquirers outperformed the MSCI World Index by an average 3.2 percentage points in 2009, compared with the 2.7 percentage points by which deal makers beat the index in 2008. **BlackRock** Inc. outperformed the index by 51.5 percentage points; **Merck** & Co. beat the index by 15.9 percentage points; and **Holcim** Ltd. outperformed the index by 16.3 percentage points. A Markets article Tuesday incorrectly said that acquirers outperformed the index by 3.2% and continued incorrectly using percentages rather than percentage points throughout the article.

# Hong Kong says loss at theme park shrank

By Chester Yung

HONG KONG—Hong Kong Disneyland narrowed its losses in its fourth year of operations, helped by cost cutting and a slight increase in attendance, the government said Tuesday as it gave the public its first detailed picture of the theme park's financial health.

Hong Kong Disneyland, which is 52%-owned by the Hong Kong government and 48%-owned by **Walt Disney** Co., had a net loss of 1.32 billion Hong Kong dollars (US$170 million) for the year ended Oct. 3, improving from an HK$1.57 billion loss the previous year.

Lawmakers have criticized the lack of publicly available performance indicators for the theme park, which has struggled to meet expectations because of its small size and a lack of attractions appealing to mainland-Chinese tourists.

Hong Kong's government and Disney, of Burbank, Calif., agreed in July to be more transparent about the park's financial performance.

Attendance rose 2% to 4.6 million from 4.5 million a year earlier but was still far below the 5.2 million visitors Hong Kong Disneyland welcomed in its first year in business. Since opening in September 2005, the park has received more than 19 million visitors.

The government said Tuesday it remained concerned about the park's performance.

"It is very important for the management to control costs to improve the company's efficiency and operation with a view to boosting its performance," said Rita Lau, secretary for commerce and economic development.

The park's revenue fell 1% to HK$2.54 billion from HK$2.57 billion as the outbreak of H1N1 flu last spring affected attendance and hotel occupancy, the government said.

In a bid to increase attendance, the government and Disney in July agreed on a US$452 million expansion plan that will include new attractions unique to the Hong Kong theme park and boost the park's physical size by 23% when the project is completed by mid-2014.

Hong Kong Disneyland's long-awaited expansion comes as Disney pushes forward with its plans to build a theme park in neighboring Shanghai.

The Chinese government in November approved the US$3.6 billion development, which could open by 2012 at the earliest.

Both the Hong Kong government and Disney have said they believe the Shanghai development will complement the Hong Kong park and won't compete for visitors.

# Korean firms set plans for Universal theme park

By Evan Ramstad

SEOUL—South Korea moved a step closer to getting a major-brand amusement park as Universal Parks & Resorts on Tuesday joined with a group of Korean investors who will try to raise nearly $3 billion for a Universal-themed resort in suburban Seoul.

South Korean politicians for years have tried to lure a major amusement-park brand, sometimes announcing projects before lining up partners. This time, local-government officials believe the group will be able to pay for a development that will include the theme park, a water park, a hotel, condominiums, a shopping mall and a golf course.

The investors were organized by a provincial government and are led by **Lotte Group**, a conglomerate with major assets in retailing and consumer goods that also runs a sizable indoor amusement park in Seoul, and **Posco E&C** Co., a construction company. The group announced a "framework agreement" and said it would work to raise funds. Government officials said the move shows the project is stable.

Universal Parks & Resorts Chief Executive Tom Williams attended the announcement but didn't say whether the company would invest in the project. However, he made it clear the company's name and characters, such as Curious George and the Terminator, were to be used at the park. The resort is to be built on a site in the city of Hwaseong, southwest of Seoul and close to the airport city of Incheon. If the project proceeds as planned, construction will begin next year, with a target for completion in 2014.

Universal, a unit of **General Electric** Co.'s NBC Universal, operates theme parks in Florida and California and is building a park in Singapore.

# Vietnam urged on probe

CANBERRA—The Australian government on Tuesday called on Vietnamese authorities to speed up the questioning of two senior **Qantas Airways** Ltd. employees so they can return to Australia.

The two—Daniela Marsilli and Tristan Freeman—can't leave Vietnam as authorities investigate loss-making fuel-hedging trades. Ms. Marsilli is chief operating officer, and Mr. Freeman is chief financial officer of Vietnamese airline Jetstar Pacific, in which Qantas owns a 27% stake.

Australian Foreign Minister Stephen Smith said he spoke on Friday with Vietnam's ambassador to Australia, saying that Canberra has a "keen interest" in the executives.

"The focus of Vietnamese authorities is an investigation where they want the two Qantas or Jetstar executives to assist them in their investigations. But it's been made quite clear to me that the Qantas executives or the Jetstar executives aren't the focus of the investigation," Mr. Smith told reporters.

The two haven't been detained.

# Apple seeks tablet books

*It negotiates with HarperCollins to supply content for its new device*

By Jeffrey A. Trachtenberg

HarperCollins Publishers is negotiating with **Apple** Inc. to make electronic books available for a tablet device to be introduced by Apple, according to people familiar with the situation, potentially posing a challenge to **Amazon.com** Inc.

HarperCollins is expected to set the prices of the e-books, which would have added features, and Apple would get a percentage of sales. Details haven't been ironed out.

It is unclear whether Apple will sell the HarperCollins titles via a new e-book store or through its existing iTunes Store, which sells music, TV shows and movies. Other publishers have also met with Apple, people familiar with the matter said.

Apple declined to comment.

Apple has invited reporters to an event in San Francisco on Jan. 27 at which it is expected to unveil the tablet. "Come see our latest creation," the message said, below splotches of bright-colored paint surrounding a white Apple logo. People briefed by the company have said Apple plans to introduce a multimedia tablet that it plans to ship in March.

Brian Murray, the chief executive of HarperCollins, said in December that e-books enhanced with video, author interviews and social-networking applications could command higher retail prices than current e-books. Many of the country's largest publishing houses are worried about the sale of new best sellers for only $9.99 in the e-book format. New releases of enhanced e-books could sell for $14.99 to $19.99, a person familiar with the situation said. HarperCollins is a unit of **News Corp.**, which also owns The Wall Street Journal.

Associated Press

Shoppers look at laptop computers at an Apple Store in Chicago in November.

The HarperCollins negotiations with Apple represent a direct challenge to Amazon, which dominates the fast-growing e-book market but could face significant competition from an Apple tablet.

HarperCollins is one of several major publishing houses that are holding back e-book versions of some new hardcover best sellers. Enhanced e-books would probably be available for sale simultaneously with the hardcovers.

Amazon created the e-book market by making the $9.99 price for best sellers an integral part of the introduction of its Kindle e-book reader in November 2007. But the Kindle lacks color and video capabilities, two elements that are likely to be crucial to the future of enhanced e-books. Amazon could be shut out of enhanced e-books until the Kindle adds those features. The standard Kindle costs $259, however, while analysts expect Apple's tablet to cost about $1,000. A spokesman for Amazon declined comment.

*—Yukari Iwatani Kane contributed to this article.*


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# Private sector mum on cyber attacks

*Companies are loath to disclose or share information on breaches for fear of bad publicity and loss of business to rivals*

By Ben Worthen

The biggest surprise to computer-security experts isn't that **Google** Inc. was targeted by attackers from China. It's that the Internet giant chose to disclose the incident.

Despite repeated efforts by the U.S. government to get the private sector to share information about threats, many companies have long kept such incidents confidential.

"There's a culture of secrecy around any bad news, and data breaches are always bad news," said Larry Ponemon, a security and privacy consultant with the Ponemon Institute. "Organizations don't like to reveal it."

The reticence can apply both to public disclosure of attacks as well as information-sharing among companies and government agencies—exchanges that can help organizations prevent future break-ins.

Google said last week its systems had been breached in a December attack, and the criminals made off with some of its intellectual property and accessed email accounts belonging to Chinese human-rights activists.

People familiar with the attack on Google say as many as 34 companies were targeted, but only two others—**Adobe Systems** Inc. and **Juniper Networks** Inc.—have so far publicly acknowledged they were targets.

Jason Schneider

Other companies that were targeted include Yahoo Inc., **Symantec** Corp., **Northrop Grumman** Corp. and **Dow Chemical** Co., according to Internet-security experts, but the companies have declined to say whether they were targets in this attack.

Google said in a blog post disclosing the attack that it was taking the "unusual step" of sharing the information "because of the security and human rights implications of what we have unearthed." A spokesman declined to comment further.

Efforts to improve cyber security by encouraging companies to share information about attacks they've suffered go back more than a decade. In 1998 President Bill Clinton issued a directive that called for the private sector and the government to exchange information about Internet threats and created organizations to collect attack details.

But information-sharing generally has been voluntary, and consequently few companies report these incidents—and fewer do so in a timely manner.

Businesses have gone public with 37% of the 6,998 data breaches they suffered over the last 12 months, according to a survey of more than 1,000 companies by the Ponemon Institute.

Almost all of these were breaches involving customers' personal information, which recent state laws have required companies to report. Only 10% of the breaches involving sensitive business information were ever disclosed, according to the survey.

Experts are divided as to whether information-sharing between organizations has improved. One person citing progress is Scott Algeier, executive director of the Information Technology Information Sharing and Analysis Center, an organization that coordinates private and public sector collaboration for that industry. "From where we were 10 years it's night and day," he said.

But Warren Axelrod, a research director at the U.S. Cyber Consequences Unit, a nonprofit organization that studies the effects of cyber attacks, said efforts to get companies to share information about incidents in an organized fashion "haven't really advanced" since the late 1990s. Instead, he said, most exchanges take place privately between people who trust one another.

The gaps where close relationships don't exist can create vulnerabilities.

For instance, hackers in late 2008 broke into the systems of **Heartland Payment Systems** Inc., a credit card processing company, and stole account information belonging to millions of people.

The company disclosed the breach in January 2009, but only because it was required to by law, said Bob Carr, Heartland's chief executive, in a June interview. He added that as many as 300 other companies were targeted by similar attacks but that most have never come forward.

Robert Rodriguez, a consultant to Heartland and chairman of the **Security Innovation Network**—which tries to foster information-sharing between the public and private sectors—said law enforcement officials knew about the attack method the perpetrators used but didn't inform Heartland.

*—Siobhan Gorman contributed to this article.*


CNBC

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# Microsoft browser under fire in Europe

By Patrick McGroarty And Nick Wingfield

**Microsoft** Corp. challenged recommendations by European officials that people stop using its Internet Explorer browser because of a security hole that hackers exploited in the recent attack on **Google** Inc. and other companies.

In an unusual move, German and French agencies posted notices on their Web sites warning against using Internet Explorer and advising computer users to switch to alternatives.

The advisories appeared to give at least one Microsoft competitor a boost. Opera Software ASA, a Norwegian software company, said the number of downloads in Germany of its Opera browser doubled to 18,000 a day over the weekend. The firm didn't have statistics for France.

Graham Cluley, a senior security consultant for U.K.-based security firm **Sophos** PLC, said he can't recall another example of "such strongly worded advice" from a European government for users to switch from a piece of software.

Still, Mr. Cluley doubts the recommendations will have a serious impact on browser market share because he believes that users sophisticated enough to switch browsers have likely already done so.

"I think they have been a little bit rash," he said, referring to the agencies. "I'm no apologist for Internet Explorer—it's guilty of various sins over the years. But chucking out your browser and going to another one, especially if you're a business, isn't an easy option."

Germany's Federal Office for Information Security, known by its German initials, BSI, advised "temporary use of alternative browsers" because of a "critical security hole" in Microsoft's software that could allow hackers to remotely plant and run malicious code on Windows PCs.

France's CERTA agency separately recommended the use of alternative browsers until a corrected version of Internet Explorer is available from Microsoft.

Microsoft said it disagreed with the recommendations. The software giant said customers should instead upgrade to the latest version of its browser, Internet Explorer 8.

It said the malicious code created to exploit the vulnerability has been effective only against an older version, Internet Explorer 6. Users of the older version should adjust the browser's security settings to "high."

A Microsoft spokeswoman said the company has been talking to the French and Germany agencies, along with other government organizations, about the security issues "to ensure they have current and up-to-date information."

Microsoft said last week that hackers used a vulnerability in its browser in the attack on Google and others and said it was working with Google to investigate.

"Microsoft is in constant communication with government organizations" in order to provide accurate advice to customers, she said.

# Nike rolls out clubs without Tiger

*Launch will be a challenge for the sporting-goods giant, largely a nonentity in golf before deal with Mr. Woods*

By Miguel Bustillo

**Nike** Inc. will launch new golf clubs this month without the promotional muscle of golfing great Tiger Woods.

That will be a challenge for the sporting-goods giant, which was largely a nonentity in golf before it built a sizable business around the superstar's image.

Nike says that its Victory Red STR8-FIT Tour fairway woods, which will go on sale Jan. 28 for $299 (€208), were designed with input from all 13 U.S. golf stars who promote Nike's golf products. But the promotional materials make no mention of Mr. Woods, whose tradition of wearing red shirts on the final day of golf tournaments inspired the Victory Red name.

Instead, the materials trumpet that the clubs were tested in tournament play by a respected but lesser-known golf pro, Lucas Glover, who claimed his first major victory last year when he won the U.S. Open Championship.

Getty Images

A Nike Golf display featuring Tiger Woods at an Orlando, Fla.,, golf shop shortly after he announced his leave.

Nike's inability to bank on Mr. Woods—who remains a Nike-sponsored athlete but is postponing his career as he deals with the fallout from his alleged extramarital affairs—comes at a problematic time. The Beaverton, Ore., company has faced deteriorating golf sales because of the recession. Annual revenue at the Nike Golf division fell 11% last year to $648 million after peaking at $725 million the year before.

Still, some of Nike's retail partners said they expect the clubs to sell well in 2010, with or without Mr. Woods to champion them.

"They have certainly established themselves as a very successful golf manufacturer over the past 10-plus years, and we believe we will have a very solid year with them," said Matt Corey, senior vice president of marketing at **Golfsmith International Holdings** Inc., the U.S.'s largest specialty-golf retailer.

Nike declined to discuss the effect of Mr. Woods's problems on its business, where overall revenue grew 3% to $19.2 billion in fiscal 2009. But in a conference call with investors last month, Chief Executive Mark Parker played down the ramifications, even as he acknowledged that larger economic factors were hurting golf sales.

"We feel very good about how we are managing our golf business through this period and our position in the broader golf market," Mr. Parker said. "We'll continue to support Tiger and his family as we, of course, look forward to his return."

Nike's golf slump mirrors a wider plunge in the market for golf apparel and gear, as consumers put off discretionary purchases. Sales of clubs and other hard equipment fell 11.9% in the first 11 months of 2009 at golf-course shops and specialty stores, according to Golf Datatech LLC, a market-research firm. Retail experts estimate that such locations make up roughly three-fourths of total golf sales.

Nike first dabbled in golf in 1985 with a shoe called the Air Linkster, and pro Curtis Strange donned its gear while winning U.S. Open championships in 1988 and 1989. But it wasn't until Nike signed a huge endorsement deal with a 20-year-old Mr. Woods in 1996 that the swoosh became an upstart in the business side of the sport.

The golfer draped himself in Nike apparel and started using Nike golf balls rather than the Titleist balls favored by other stars. He also helped Nike craft new clubs.

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DOWJONES

# A big step for 'Baby Bs'

*Berkshire is expected to back 50-1 split of B shares; a faster crowd?*

By Scott Patterson

Warren Buffett is likely about to orchestrate one of the biggest changes in years to the financial structure of his company.

**Berkshire Hathaway** Inc. is expected to approve a 50-to-1 share split of its Class B shares Wednesday, a move tied to its planned purchase of the railroad giant **Burlington Northern Santa Fe** Corp.

With the split, trading volume will likely increase, and that could attract a new group of bigger and faster-trading investors. The B shares were trading Tuesday at $3,292.70, a lofty price that limits the kind of investors who bought the stock to mostly those with a long-term-performance view.

The price of the stock will be about $65 after the split. There will be no change to the more exclusive Class A shares, which were trading Tuesday at $98,705 each.

About 36,000 B shares trade a day, on average. By comparison, about 6.4 million shares of **International Business Machines** trade a day. Only about 1,000 A shares change hands a day.

Mr. Buffett introduced the B shares, known "Baby Bs," in 1996 because some small investors unable to buy Berkshire's high-priced shares were investing in funds that tried to mimic his investing strategy.

Mr. Buffett famously quipped in a news release at the time that neither he nor Berkshire Vice Chairman Charlie Munger would purchase B shares, "nor would they recommend that their families or friends do so."

A lower share price would mean the B shares could be eligible for inclusion in the Standard & Poor's 500-stock index. Standard & Poor's has passed on the stock in the past because it "is not sufficiently liquid," said David Blitzer, chairman of the S&P index committee.

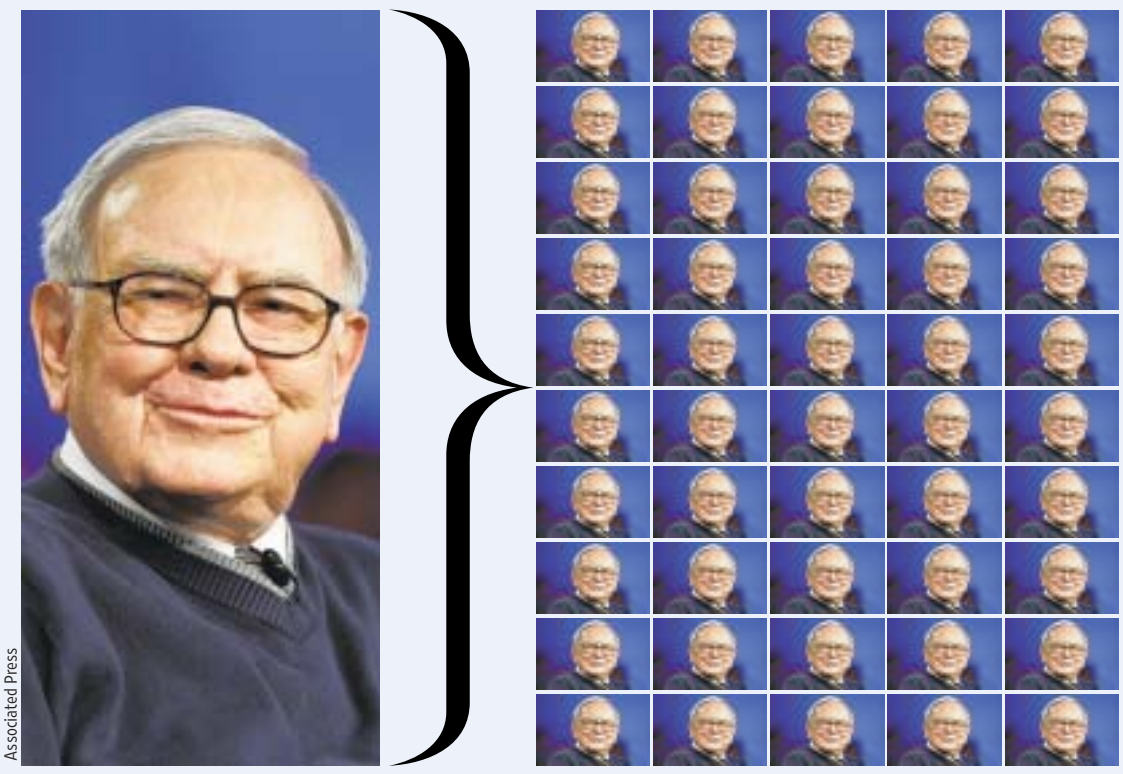
If the B shares become part of the S&P 500, that will require index funds and other portfolio managers who track the index to purchase the stock, potentially giving it a one-time boost.

Berkshire agreed in November to purchase the 77% of Burlington it didn't already own by using a mix of cash and stock, and Mr. Buffett described the investment as an "all-in wager on the economic future of the United States." He agreed to split the B shares so that smaller Burlington shareholders who want the tax benefit of maintaining an equity investment could accept Berkshire shares instead of cash.

The share split took some Berkshire watchers by surprise. Mr. Buffett has long been a critic of share splits. In a 1983 shareholder letter, he wrote that a share split "would attract an entering class of buyers inferior to the exiting class of sellers."

### Splittin' image

If Berkshire Hathaway splits its Class B shares into 50 smaller shares this week as expected, more investors will be able to buy a piece of Warren Buffett at $65 per share. Mr. Buffett has said he wouldn't buy the B shares.



Associated Press

# Australia alters insolvency law

By Iain McDonald

SYDNEY—The Australian government will alter corporate-insolvency laws to remove uncertainty created by a court case that blurred the line between debt and equity investors in some corporate collapses.

Industry participants and analysts welcomed the move, which they said would reinstate the rights of debt investors over equity holders when companies become insolvent.

Minister for Financial Services, Superannuation and Corporate Law Chris Bowen said Tuesday that the law changes aimed to reduce the costs and complexity of insolvency administrations, to improve communication with creditors and to reduce possible abuse of the laws.

Mr. Bowen said the government will alter the laws to unwind the effect of a 2007 High Court decision that gave shareholders equal rights for compensation in certain corporate collapses.

"Any direct benefits to aggrieved shareholders arising from nonsubordination are outweighed by the negative impacts on shareholders generally as a result of restrictions on access to, and increases in, the cost of debt financing for companies," Mr. Bowen said in a statement.

Industry body Chartered Secretaries Australia said capital-market investors can take comfort in the reinstatement of the distinction between debt and equity investment.

"CSA had long argued that the High Court decision flew in the face of the traditional principle that shareholders assume greater risk for the chance of greater reward, while creditors accept limited returns for lower risk," said the group's chief executive, Tim Sheehy.

The High Court's decision in the case Sons of Gwalia versus Margaretic was that in winding up a company, certain compensation claims by shareholders against the company had the same weight as claims by other creditors.

Deutsche Bank said the planned law changes are positive for credit markets as the court decision had threatened to increase the cost of debt funding for companies.

The government also issued a discussion paper on changes to the laws governing informal attempts to rescue a business where external administration isn't used.

"The government is committed to ensuring that Australia's corporate-insolvency laws are capable of meeting the challenges arising from the global economic downturn," Mr. Bowen said.

# *How the French outplayed the U.S. in AIG talks*

**[ THE GAME ]**

By Dennis K. Berman

The U.S. Federal Reserve's decision to pay billions of dollars to **Goldman Sachs Group** Inc. and other big banks as part of its bailout of **American International Group** Inc. has spawned criticism and conspiracy theories. Treasury Secretary Timothy Geithner, who presided over the New York Fed at the time, was summoned to Congress to explain why AIG paid off the $62.1 billion in soured derivatives in full, far more than they were worth in the market.

One element of the decision hasn't been well explored—how the Fed agreed to the full-payment demands of France's bank regulator and two of AIG's largest creditors, **Société Générale** SA and Calyon Securities, a unit of **Crédit Agricole** SA. The banks and their regulator, it now appears, masterfully outmaneuvered the Americans to avoid discounts, or "haircuts," on their securities.

The French won the day by using a legal argument that some scholars and corporate attorneys described in interviews as dubious and lacking real legal ground. Their refusal was crucial, as it helped set the tone for U.S. banks, including Goldman and Merrill Lynch, to resist negotiation.

The French banks and the regulator, known as the Commission Bancaire, said bank executives could be criminally liable for accepting a discount on their contracts, according to a November report of the inspector general of the Troubled Asset Relief Program.

While true in the abstract, "their argument was very overstated," said Pierre-Henri Conac, a University of Luxembourg law professor and a director of France's oldest corporate-law review. "Banks give haircuts every day."

A spokeswoman for the Commission Bancaire said "you're the first to call" when asked about the issue but otherwise declined to comment. Officials for Société Générale and Calyon also declined repeated requests for comment, as did a representative for Mr. Geithner.

It is easy to second-guess the behavior of people caught in the confused, scary world of late 2008. Yet a look at the French role is a reminder of how much of that period remains unexplained. Congress might want to ask: Why did the Fed show such little vigor attacking what now appears a legal Maginot Line?

In November 2008, the Fed, having already committed $85 billion to rescue AIG, was worried about a set of AIG holdings tied to mortgage securities that were draining cash from the company, according to the inspector general's report. At the top of the counterparty list: Société Générale, with $16.5 billion in contracts. Goldman was second with $14 billion, and Calyon was sixth, with $4.3 billion.

The Fed and AIG finally seized on a plan, according to the inspector general's report. Step one: Let the banks keep $35 billion of collateral already posted by AIG. Two: Purchase the banks' underlying securities, which were derivatives tied to low-grade mortgages. Three: Cancel the contracts.

Over one frenzied weekend in early November, Fed and AIG officials struggled with the final step: What should they pay for those securities? By contract, the banks were guaranteed full payment.

There were some factors to suggest a lower, negotiated price was in order. The securities' market value had fallen significantly. And absent the U.S. bailout, AIG would have been in bankruptcy, potentially leaving counterparties with zero.

A call went out from the New York Fed to Société Générale and Calyon, as well as to the Commission Bancaire, according to the report by Neil Barofsky, the TARP inspector general. They wanted to treat all the parties equally. By demanding payment in full, the French helped the other banks get the same treatment.

"[T]he French banks concluded they were precluded by law from making concessions and could face potential criminal liability for failing to comply with their duties to shareholders," Mr. Barofsky found in interviews with Fed officials.

The French were "indignant that we would even contemplate asking for this," said one person close to the New York Fed.

Other banks, including Goldman and Merrill, rebuffed the Fed on similar grounds at the same time. In the end, no one took a haircut.

But the response from the French "played a significant role in complicating" the Fed's efforts at structuring haircuts for all the parties, Mr. Barofsky wrote.

From the Fed's perspective, there also were deep worries about the stability of the financial system. And it was important to show that contract law was being respected, said the person close to the New York Fed. The price the government was getting for the securities "was a worry, but not the only worry," this person said.

Yet there appear plenty of grounds for challenging the French conclusion, said French lawyers and law professors.

"To say that these people would have gone to jail if they cut a deal and signed the same agreement as Goldman Sachs is really pushing beyond what goes on in France," said Christopher Mesnooh, a partner at Paris's Fields Fisher Waterhouse who has written a book on French corporate law.

More information may shake loose as Congress continues its study of AIG. There may well have been compelling reasons for making good on the $20.8 billion owed the French banks.

But—as is now clear—not for the legal reason that the Fed and the French banks assert.

# Credit Suisse cuts some U.K. bonuses

By Katharina Bart

ZURICH—**Credit Suisse Group** will cut planned 2009 bonuses for senior staff in the U.K. by 30% to mitigate the impact of the country's one-time tax on payouts exceeding £25,000 ($40,842).

The bank said that the move affects 400 staff. The bank's bonus pool for 2009 will be cut by 5% from the originally planned amount, a spokesman said. He declined to disclose the total pool size.

Bonus payments to bankers have come under fire since some regulators claimed that high payments tempted bankers to take risks that contributed to the financial crisis.

In December, U.K. Chancellor of the Exchequer Alistair Darling declared a 50% tax on all bonus payments over £25,000, which officials say is meant to clamp down on "unwarranted" or "unjustified" payments to bankers.

Following the U.K. government's bank bailouts and additional supportive measures, **Royal Bank of Scotland Group** PLC and **Lloyds Banking Group** are already unable to pay a cash bonus to staff earning more than £39,000 a year.

Credit Suisse, which launched a bonus pool made up of largely illiquid assets last year, is one of the first banks to publicly discuss its bonus pay for 2009.

*—Ilona Billington in London contributed to this article.*

# MetLife near a deal to buy AIG unit

By Jeffrey McCracken And Leslie Scism

**MetLife** Inc. is in final negotiations to purchase one of the biggest international life-insurance units of government-controlled **American International Group** Inc. for between $14 billion and $15 billion, people familiar with the matter said Tuesday.

The companies have been in discussions for months about a potential deal for AIG's **American Life Insurance** Co., known as Alico. In recent weeks, the talks have gotten more serious, these people said, and two sides hope to announce a deal in coming weeks. The insurers have broadly agreed on price and are now working on final deal points, though some material issues remain that could scuttle the deal, the people said.

The sale of Alico would be the biggest step to date by AIG to pay back the U.S. government, which has committed a total of $182.3 billion to prop up the giant insurer. About $9 billion of proceeds would go back to U.S. coffers.

An AIG spokeswoman said the company won't comment "on rumors and speculation." A MetLife spokesman said "Our philosophy regarding M&A activity is that any deal MetLife pursues would be strategically important and financially attractive to our shareholders."

# *Toyota sets deal with Argentinian firm for lithium*

*Continued from page 21*

**NEC** Corp. have all made investments in the lithium-ion battery business for automotive use, while **Panasonic** Corp. bought a majority stake in **Sanyo Electric** Co., the world's top supplier of lithium-ion batteries, in order to carve out a stronger footing. Toyota and Panasonic are partners in the development and production of lithium-ion battery packs for electric cars. **Sony** Corp. has also said it is considering entering the car battery business.

To secure supplies for those companies, Japan's trading companies, such as **Mitsubishi** Corp. and **Sumitomo** Corp., have been active in searching out opportunities in Latin America especially in the lithium-rich countries like Bolivia and Chile.

# *Buyout firms face Korean tax*

*Continued from page 21*

investments in South Korea without paying any taxes in the country. Under the current treaty, South Korea doesn't tax capital gains on investments made by U.S. private-equity firms and vice versa.

Not surprisingly, while the Korean side is eager to introduce treaty amendments establishing the capital-gains tax, the U.S. side is reluctant, people familiar with the situation said.

According to a government employee familiar with the talks, a meeting between representatives from the two countries was planned for October but was then canceled and has yet to be rescheduled.

South Korea's Ministry of Strategy and Finance declined to comment on the capital-gains tax and bilateral tax-treaty talks. Lone Star declined to comment on the topic.

Investments in Korea by major U.S. financial players would be affected by the new tax, according to people familiar with the situation. Apart from Lone Star, which has twice tried to sell its stake in KEB, the fifth-largest bank in the country by assets, another coming exit that could be affected is Carlyle's 33% controlling stake in cable operator **Hyundai Communications & Network**. Carlyle bought into that investment in October 2006. **Kohlberg Kravis Roberts** & Co., which bought **Oriental Brewery** last year, would also stand to be affected when it eventually exits that investment.

Certainly, a capital-gains tax could deter further investment if introduced. Last year, South Korea was home to almost a third of financial-sponsor buyouts in Asia, excluding Japan, according to Dealogic.

For Lone Star, the proposed capital-gains tax is yet another obstacle in South Korea. The firm has had a string of setbacks trying to exit its $1.3 billion investment in KEB, which it bought in 2003.

Lone Star had an agreement to sell a controlling stake in the bank to Kookmin Bank, Korea's largest retail bank by assets, but that deal was canceled in 2007 amid a probe into circumstances under which KEB was sold to Lone Star. Lone Star later reached an agreement to sell the stake to HSBC Holdings PLC, but the U.K. bank scrapped the sale amid the global financial turmoil in 2008.


AEGON
EUR 1,000,000,000
Accelerated Bookbuilt Offering
Joint Bookrunner
August 2009 | ABN AMRO

asciano
AUD 2,350,000,000
Placement and Rights Issue
Joint Lead Manager and Underwriter
June 2009

delta lloyd groep
EUR 1,016,000,000
(pre-greenshoe)
Initial Public Offering
Joint Bookrunner
November 2009

Ford
USD 2,875,000,000
Convertible Bond Offering
Joint Bookrunner
November 2009

SAP
EUR 1,500,000,000
Refinancing of RCF
Joint Bookrunner and
Mandated Lead Arranger
September 2009

RioTinto
AUD 4,244,000,000
Rights Issue
Joint Bookrunner
July 2009

noble group
USD 850,000,000
6.75% 144A / Reg S
Senior Notes Due 2020
Joint Bookrunner
October 2009

sanofi aventis
Because health matters.
EUR 1,500,000,000
Notes due 2013
EUR 1,500,000,000
Notes due 2016
Joint Bookrunner
May 2009

SIEMENS
EUR 2,000,000,000
4.125% Fixed Rate Notes
Due February 2013
EUR 2,000,000,000
5.125% Fixed Rate Notes
Due February 2017
Joint Bookrunner
February 2009

Swedbank
USD 1,000,000,000
2.90% Fixed Rate Senior Unsecured Guaranteed by
Kingdom of Sweden
USD 500,000,000
Floating Rate Senior Unsecured Guaranteed by
Kingdom of Sweden
Due Jan 2013
Joint Bookrunner
June 2009

Korea Eximbank
USD 2,000,000,000
Senior Unsecured SEC
Registered Fixed Rate Notes
Due Jan 2014
Joint Bookrunner
January 2009

U. S. Steel
USD 862,500,000
Convertible Bond Offering
USD 692,070,000
27,140,000 Common Shares
(Follow-On Offering)
Joint Lead Manager
April 2009 | ABN AMRO

Walmart
Save money. Live better.
EUR 1,000,000,000
4.875% Fixed Rate Notes
Due 2029
Joint Bookrunner
September 2009

SAN MIGUEL CORPORATION
USD 1,200,000,000
Divestment of 43.25% Interest in
San Miguel Brewery Inc. to Kirin Holdings
Sole Financial Advisor
May 2009

centrica
GBP 1,266,000,000
Acquisition of Venture
Production by Centrica
Joint Financial Advisor
August 2009

VATTENFALL
EUR 9,951,000,000
Advisor to Vattenfall on the
Acquisition of Nuon
Financial Advisor
July 2009

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JAL'S BANKRUPTCY FILING

# Japan Airlines opens painful new chapter

*Continued from first page*
company of another. "We believe it is important to secure customer convenience by the injection of public funding," ANA said. "However, we are also highly concerned that the fair and competitive environment would not be secured under the financial support and injection of public funding."

A big question going forward is whether JAL emerges as a smaller but healthy airline or whether the Tuesday filing marks the beginning of a broader restructuring of Japan's airline industry.

Mr. Maehara said Japan's Transport Ministry will keep an eye on whether two big airlines are needed in Japan, suggesting there might be realignment of international flight services in the future. "The risk of volatility is large in the airline business," he said. "We will have to consider whether two mega-air carriers can survive into the future."

The next big decision facing JAL and its overseers is how much help to seek from abroad in the form of a tie-up with a leading U.S. air carrier—and which one to choose.

**AMR** Corp's American Airlines and **Delta Air Lines** Inc. are embroiled in a high-stakes battle to tie up with JAL, primarily to cement control of the lucrative Asian market. Delta is offering JAL a total package of $1 billion, while American and private-equity firm **TPG** have offered $1.4 billion in equity investment.

Some Transport Ministry officials favor a deal with Delta on the grounds that it has a more robust Asian and trans-Pacific network. But the move would be unprecedented, since JAL is currently part of American's Oneworld group of carriers, and no airline has ever pried away a company from a rival's alliance. A decision on a tie-up only will be made after JAL's new management is in place, according to people familiar with the matter. Kazuo Inamori—the founder of technology-components maker Kyocera Corp., a leading management guru and a Buddhist monk—will become JAL's chairman and chief executive on February 1. He is one of the few outsiders to be brought in to help run the company and brings no airline experience to the task.

Delta and American were quick to issue statements after the court filing, reiterating their support for JAL and the restructuring process. "Delta and SkyTeam fully support Japan Airlines and stand ready to provide assistance and support in any way possible," the company said.

Craig Kreeger, senior vice president for American, said: "We look forward to continuing to work with JAL as it undertakes its restructuring plan. We are confident that remaining with the Oneworld alliance provides the least risk for JAL."

**A place in history** | Japan's 10 largest postwar bankruptcies*

| | Company name | Category | Liabilities, in trillions of yen |
|---|---|---|---|
| September 2008 | Lehman Brothers Japan | Securities | ¥4.70 |
| October 2000 | Kyoei Life Insurance | Life insurance | 4.53 |
| October 2000 | Chiyoda Mutual Life Insurance | Life insurance | 2.94 |
| **January 2010** | **Japan Airlines** | **Airline** | **2.32** |
| April 1997 | Crown Leasing | Leasing | 2.18 |
| September 1998 | Japan Leasing | Leasing | 2.18 |
| July 2000 | Sogo | Department store | 1.87 |
| September 2001 | Mycal | Supermarket operator | 1.74 |
| October 1996 | Nichiei Finance | Credit guarantee | 1.00 |
| March 2001 | Tokyo Mutual Life Insurance | Life insurance | 0.98 |

* Includes group companies

Source: Teikoku Databank

EPA

JAL CEO Haruka Nishimatsu, left, bowed at a press conference in Tokyo on Tuesday.

JAL's outstanding debt makes it the fourth-largest corporate bankruptcy in Japanese history, a list topped by Kyoei Life Insurance Co.'s filing in 2000. JAL became the country's largest nonfinancial firm to file for court protection, eclipsing the 2001 filing by Mycal Corp., a supermarket operator.

Though financial profligacy was one cause of JAL's demise, its close ties with the government, even after it was privatized in 1987, essentially are what crippled the carrier. Pork-barrel aviation policies drawn up by transport bureaucrats caused JAL to fly unprofitable routes for decades.

JAL's filing in part was the result of the recent change in government in Japan. The company was closely tied to the LDP and Transport Ministry bureaucrats. The DPJ, by contrast, appeared more willing than its predecessor to let the company enter a transparent, court-led restructuring, rather than offer the more opaque government bailouts that the LDP repeatedly had extended in recent years.

"It is necessary to proceed in a fair, right and transparent way when a huge amount of public funds is involved," Hiroshige Nishizawa, president of the **Enterprise Turnaround Initiative** Corp. of Japan, a quasigovernmental body heading the restructuring, said at news conference.

JAL officials resisted the filing for months, and its fate has been unfathomable to most Japanese. When Japan Inc. rose to glory in the late 1980s, gobbling up trophy icons such as New York's Rockefeller Center, JAL spread its tentacles around the world by buying the Essex House hotel in New York and setting up resorts in Hawaii.

For millions of Japanese who have taken JAL flights throughout their lives, the carrier's fall from grace touches a deep chord. JAL was known for its impeccable service and its stunning flight attendants, playing a big role in Japanese pop culture. A popular sitcom called "Attention Please!" revolved around a woman achieving her dream of becoming a JAL cabin attendant.

Whether JAL will be able to emerge from its arduous three-year restructuring program remains to be seen. The stigma of filing for bankruptcy protection under Japan's corporate rehabilitation law could undermine consumer sentiment about JAL.

Takahiko Itoh, a lawyer at Freshfields Bruckhaus Deringer LLP in Tokyo, said consumers in Japan largely are unfamiliar with the corporate rehabilitation law, as it is so rarely invoked. "The consumer may receive the message that because JAL has entered into corporate rehabilitation it cannot receive full services," he said.

Officials on Tuesday stressed that JAL would continue to operate as usual during its restructuring and that the carrier would meet all of its leasing and fuel-purchase obligations. JAL customers' mileage accounts will be honored. JAL employees and Japanese embassies around the world have been reaching out to JAL's global suppliers, assuring them that the airline's operations will continue as normal.

JAL is set to cut 15,700 employees, or about a third of its work force, and slash 34 unprofitable international and domestic routes. JAL will reduce the number of its sprawling group of more than 100 companies, such as a credit operation and smaller airlines based in rural Japan, by around a quarter.

The ETIC, the quasigovernmental body, is to be named the corporate trustee of JAL and will oversee its rehabilitation. The agency is set to inject 300 billion yen ($3.3 billion) into JAL to provide the carrier with immediate liquidity.

The Development Bank of Japan, JAL's leading lender, and the ETIC will provide debtor-in-possession financing to JAL through a 600 billion yen credit line. The Japanese carrier's main banks will forgive 730 billion yen in outstanding loans.

The treatment of bondholders will be decided by the Tokyo District Court, though they are likely to take a significant reduction to their holdings.

The carrier will aim to retire all 37 of its **Boeing** Co. jumbo 747-400s under its plan, a large supply of planes to dumped on the market at once, which could roil the global leasing market. JAL has 35 of Boeing's new 787 Dreamliners on order, with the option to purchase 20 more. The airline planes to proceed with those purchases.

# JAL bankruptcy reorganization to drag out for years

By Hiroyuki Kachi

TOKYO—**Japan Airlines** Corp.'s stint under bankruptcy protection isn't likely to be short or simple.

The carrier, known as JAL, faces massive liabilities and has a sprawling business that covers everything from jet-fuel procurement to aircraft leasing in Japan and overseas.

The case could also raise challenging questions about whether the airline's bankruptcy protection will be recognized in other countries.

"One thing that can become a big future problem is whether the court protection will be valid outside Japan as an international bankruptcy case," said Hideyuki Kobayashi, an attorney at Blakemore & Mitsuki law office in Tokyo.

"We can expect at least three years for JAL's revival," he said, citing Japanese law and the uncertainty surrounding the airline's fortunes.

JAL said Tuesday it expects its international operations to continue as normal, though some details may need to be sorted out.

JAL will use the nation's Corporate Rehabilitation Act, which is based on U.S. bankruptcy law. Under the act, current management is often dismissed, and the company works through its finances with the help of court-appointed administrators. The bankruptcy protection also allows JAL to continue operating leased aircraft in Japan.

Japan's bankruptcy protection law has undergone several revisions aimed at making it easier to use and bringing it closer in line with Chapter 11 of the U.S. Bankruptcy Code.

Among the 134 companies that filed for bankruptcy protection under the act between January 2004 and June 2009, around 50% have managed to revive themselves and only 1.5% were liquidated, according to Teikoku Databank.

The companies took an average of 1.7 years to exit the reorganization process, according to Teikoku Databank, compared with 12.1 years for companies entering bankruptcy protection 10 years ago.

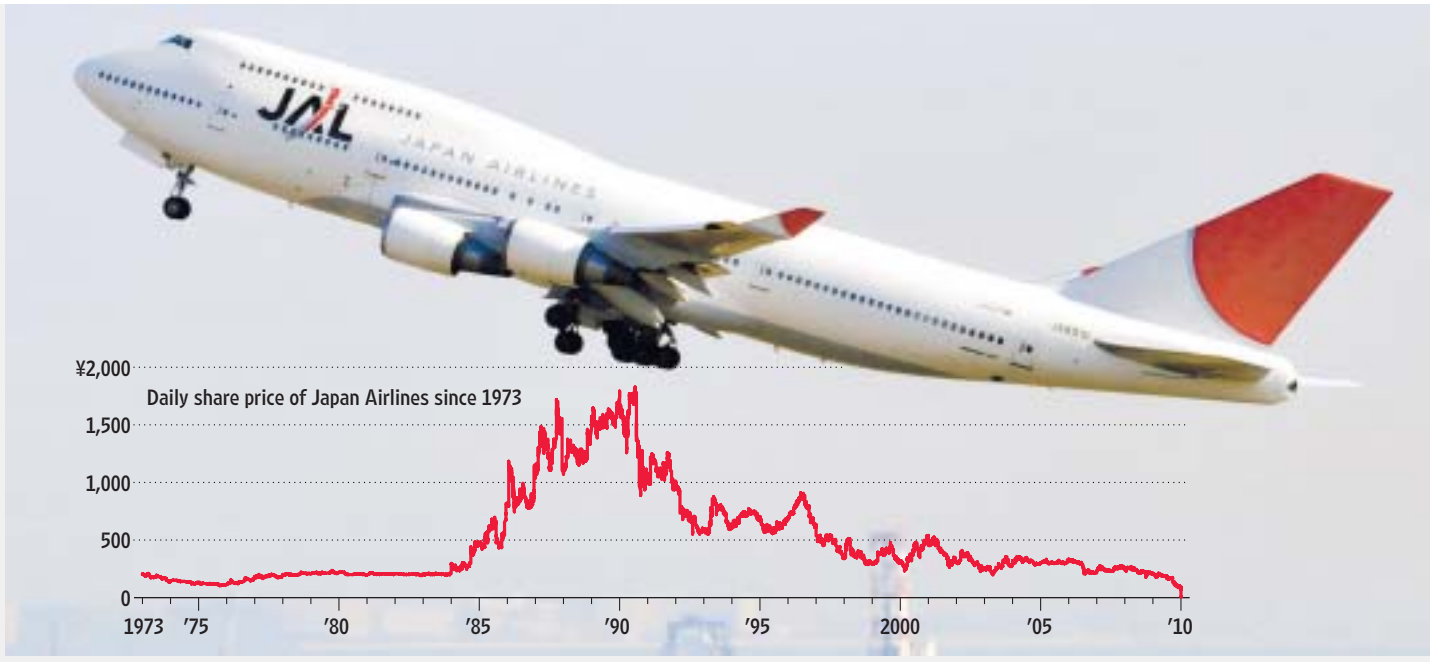
Shares of JAL will be delisted Feb. 20. Individual shareholders accounted for 60% of JAL's 2.73 billion outstanding common shares as of the Sept. 30 interim closing.

*—Mariko Sanchanta contributed to this article.*

# JAL'S BANKRUPTCY FILING

## Flying into turbulence

Japan Airlines held a high-profile spot as the nation's top carrier for almost six decades. Its bankruptcy filing Tuesday will wipe out shareholders, cause the value of its bonds to plummet and alter global investor attitudes toward Japan--where, until now, shareholders had believed in a governmental safety net that would prop up ailing companies indefinitely. See major events of Japan's national champion, which once had been seen as "too big to fail."




### 1950s

■ **August 1951:** Japan Air Lines is established, following a merger with Japan Air Transport.

■ **October 1951:** Japan Air Lines reaches agreement with Northwest Airlines to handle flight operations.

■ **October 1953:** Japan Airlines (JAL) forms after a reshuffle of the previous company.

■ **December 1953:** New York sales office opens, establishing one of its first trans-Pacific ties.

### 1960s

■ **November 1966:** JAL begins its first regular service to New York from Tokyo.

Beatles in Tokyo wearing JAL's Happi coats

### 1970s

■ **July 1970:** JAL begins flying Boeing 747s.

■ **July 1973:** JAL flight is hijacked. The plane is later destroyed by a bomb, but after passengers had been offloaded.

■ **May 1978:** Tokyo International Airport in Narita opens. It later becomes JAL's main base of operations.

■ **June 1978:** JAL reaches 100 million domestic and international passengers since the company's founding.

### 1980s

■ **February 1982:** Crash at Haneda airport kills 24.

Crash at Haneda airport

■ **July 1982:** JAL is ranked the world's No. 3 carrier in scheduled international operations.

■ **June 1984:** Bolstered by Japan's growth and closer trans-Pacific ties, JAL becomes the world's No. 1 airline in terms of scheduled international traffic.

■ **August 1985:** JAL Flight 123 crashes in Japan, killing 520 people in what remains one of the worst airline accidents.

■ **November 1987:** JAL is privatized.

### 1990s

■ **February 1998:** JAL reaches code-sharing agreement with American Airlines.

■ **September 1998:** JAL bans smoking on domestic flights.

### 2000s

■ **September 2000:** In the first of a string of nonfatal safety mishaps, a piece of a JAL jet engine falls in Jakarta. The black marks on JAL's reputation steer customers to rival All Nippon Airways.

■ **October 2001:** JAL asks for what turns out to be one of three government infusions over the next decade, as it and rivals seek Tokyo's help to cover insurance expenses in the wake of the Sept. 11 terrorists attacks in the U.S.

■ **November 2001:** JAL says it will buy Japan Air System, the country's No. 3 airline by traffic, in a merger intended to help it cut costs.

■ **September 2002:** JAL unveils new corporate logo, replacing its iconic red crane.

Introduction of new JAL corporate logo

■ **October 2003:** JAL's parent receives a government loan of about $630 million as SARS and the Iraq war hit international travel.

■ **March 2005:** JAL demotes its international president, Katsuo Haneda, over safety mishaps.

■ **February 2006:** Amid losses, JAL says it will cut international capacity by about 10%.

■ **March 2006:** CEO Toshiyuki Shinmachi resigns under pressure amid mounting safety and financial woes. The airline names longtime executive Haruka Nishimatsu as its president and chief executive.

■ **February 2007:** JAL says it will eliminate 4,300 positions.

■ **April 2007:** JAL strikes a deal with lenders that offer $505 million in funding it hopes to use to turn around its operations.

■ **March 2008:** JAL says it will offer $1.48 billion in preferred shares to finance new plane purchases and fix its weakening balance sheet.

■ **May 2009:** The carrier reports a $649 million loss for its fiscal year, compared with earlier projections of a profit, as the global economic slump and the H1N1 influenza put pressure on already debt-heavy operations. It unveils new cost-cutting efforts.

■ **June 2009:** JAL receives its third government infusion, a $1.1 billion loan agreement from two state-controlled banks.

■ **August 2009:** JAL reports a $1.05 billion fiscal first quarter loss. One month later, JAL discloses talks with Delta and American on establishing tighter ties, as the two U.S. carriers seek greater access to JAL's lucrative Asian routes.

■ **December 2009:** The U.S. and Japan conclude talks on an open skies agreement, increasing the stakes as Delta and America pursue a tie-up with JAL.

### 2010s

■ **January 2010:** JAL files for the Japanese equivalent of Chapter 11 bankruptcy protection. The government asks electronics entrepreneur Kazuo Inamori to lead the company.

Kazuo Inamori asked to lead the company; JAL files for bankruptcy protection

Source: WSJ research
Photos: Agence France-Presse/Getty Images (plane)
Associated Press (4), Reuters (Inamori)

# ANA denounces government lifeline for JAL

By Mariko Sanchanta

**All Nippon Airways** Co. has flown in the shadow of its bigger and more illustrious peer, **Japan Airlines** Corp, for decades. But over the years, the nimbler ANA has managed to boost its business and its reputation significantly.

After JAL last June received a 100 billion yen rescue package from its main banks to service its debt, ANA tapped the capital markets in July via a new share issue, raising 141.7 billion yen ($1.56 billion).

The fact that JAL is set to receive a government-backed lifeline of $10 billion, while ANA receives not a single yen, doesn't sit well with the carrier. In a rare statement last night, the airline publicly denounced the government's move: "We believe it is important to secure customer convenience by the injection of public funding. However, we are also highly concerned that the fair and competitive environment would not be secured under the financial support and injection of public funding."

ANA reported a net loss last year of 4.3 billion yen, its first red ink in six years, while JAL reported a loss of 63.1 billion yen—its fourth annual loss in six years.

Behind the scenes, domestically focused ANA is negotiating to secure a bigger proportion of international landing slots next year from the two major airports that serve the Tokyo area than it would be normally entitled to, according to a senior government official familiar with the matter.

In an expansion effort termed the "Tokyo Big Bang," Narita International Airport will increase its capacity by 20% next year, while Haneda Airport will add a new runway, expanding its capacity by 40%. The new landing slots represent the first time in decades that either airport—which are both operating at full capacity—have been able to offer lucrative new services for both carriers.

With JAL set to cut at least 17 international routes as part of its restructuring, the move by ANA comes at a smart time.

EPA

All Nippon rival JAL is set to receive $10 billion. Planes shown last year in Tokyo.

MARKETS

# Treasury prices follow fall in euro-zone debt

By Deborah Lynn Blumberg

NEW YORK—Treasury prices fell in sympathy with lower European government bond prices, which were dragged down by a jump in U.K. consumer prices.

**U.S. CREDIT MARKETS**

U.K. annual consumer price inflation increased by the greatest amount ever in December, due to the comparison with a cut in the sales tax, a sharp fall in oil prices and pre-Christmas sales in 2008. Inflation jumped to 2.9% in December—well above the Bank of England's 2% target and the 2.5% analysts expected—up from 1.9% in November, according to data from the Office for National Statistics released Tuesday. Gilts and bonds both tumbled after the data, with Treasurys following suit.

At 11 a.m. Tuesday, the two-year note was even at 107, to yield 0.8862%, and the 10-year note was off 10/32, or $3.125 for each $1,000 invested, to 97 7/32, to yield 3.7152%. The long bond was off by 17/32 to 96 7/32, to yield 4.6092%.

With little crucial economic data on tap this week, earnings will take center stage. Investors will have a close eye on **International Business Machines**, which will report results after Tuesday's close.

Treasury market participants also will have a close eye on the corporate issuance calendar.

# A rush for Treasury debt

By Tom Barkley

WASHINGTON—International buyers ramped up their purchases of long-term U.S. financial assets in November, as private investors snapped up a record amount of Treasury securities, the Treasury Department said Tuesday.

Net foreign purchases of long-maturity U.S. securities totaled $114.5 billion, the most since May 2007, according to the monthly Treasury International Capital report. Net buying in October was revised to $6.9 billion from an initial estimate of $8.3 billion.

The monthly Treasury report highlights cross-border acquisitions of securities with maturities of more than one year, including non-market transactions such as stock swaps and principal repayment on asset-backed securities.

Financial-market analysts consider the monthly data from the Treasury Department to be a significant but imprecise gauge of how easily the U.S. can finance its trade deficit. The U.S. trade deficit widened in November to $36.4 billion, from $33.2 billion in October.

# Japan yields rise despite strong auction

By Andrew Monahan

TOKYO—Japanese government bond yields rose Tuesday as concern about potential additional bond issuance overwhelmed the impact of a strongly bid auction of five-year notes.

The 10-year yield firmed 0.015 percentage point to 1.33%.

Some speculated that the failure of **Japan Airlines** Corp., could lead to losses at banks that may force them to sell government bonds to free up cash in the coming months, analysts said. JAL filed for bankruptcy protection after the market closed.

**WORLD BONDS**

Any JAL-related losses "could force some Japanese mega-banks to take profits before the fiscal year-end" at the end of March, said RuiXue Xu, debt markets strategist at Royal Bank of Scotland.Analysts said a widening financial scandal involving a Japanese ruling-party heavyweight also could hurt the bond market indirectly by fueling concerns about more bond issuance. If the scandal prompts parliamentary bickering that delays approval of the government's second extra budget for the current fiscal year, it also could push back the timetable for the budget for the fiscal year starting in April, they said.

If the fiscal 2010 budget doesn't pass by the end of March, that could hurt the economy. That normally would support bonds.

But this time, concerns could mount that "it would mean the government might be forced to implement another stimulus package," possibly funded by further debt sales, said Kenro Kawano, a strategist at Credit Suisse.

Tuesday's auction of 2.186 trillion yen ($24.08 billion) of five-year notes was solidly bid. The lowest price of 99.97 was slightly higher than traders' expectations for 99.96. The yield was 0.506%.

Among Asian borrowers, **Evergrande Real Estate Group** Ltd. has informally suggested paying a yield of around 11.5% for its planned $500 million five-year bond, a person familiar with the deal said Tuesday.

The bond could price this week.

*—Ditas Lopez in Singapore contributed to this article.*

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### Leading 10 Performers

| FUND RATING * | FUND NAME | FUND MGM'T CO. | CURR. | LEGAL BASE | % Return in $US ** YTD | 1-YR | 2-YR | 5-YR |
|---|---|---|---|---|---|---|---|---|
| 3 | **HSBC GIF Indian Equity A Inc** | HSBC Investment Funds (Luxembourg) S.A. | USD | Luxembrg | **4.37** | 157.98 | -10.63 | 22.02 |
| 1 | **Danske Invest India K** | Sampo Rahastoyhtiö Oy | EUR | Finland | **3.65** | 155.84 | -13.39 | NS |
| 1 | **Kotak Indian Mid-Cap C** | Kotak Mahindra (International) Limited | USD | Mauritius | **6.21** | 140.03 | -23.46 | 18.28 |
| NS | **GS India Equity A** | Goldman Sachs Asset Mngmt Intl | USD | Luxembrg | **3.61** | 129.33 | NS | NS |
| 3 | **Jupiter JGF India Select L USD** | Jupiter Asset Management Ltd. | USD | Luxembrg | **5.12** | 127.15 | -5.90 | 23.04 |
| 3 | **UTI India 1986 Shares** | UTI International Ltd | GBP | Mauritius | **6.21** | 126.95 | -3.10 | 27.46 |
| 1 | **FF - India Focus A Euro** | Fidelity (FIL (Luxembourg) S.A.) | EUR | Luxembrg | **5.54** | 119.77 | -15.83 | 16.84 |
| 4 | **SBI Resurgent India Opps** | SBI Fund Management Co S.A. | USD | Mauritius | **5.63** | 117.39 | -14.04 | NS |
| 2 | **Lloyd George India** | Lloyd George Investment Managers | USD | Mauritius | **4.42** | 117.18 | -15.88 | 20.78 |
| 4 | **Jyske Invest Indiske Aktier** | Jyske Invest | DKK | Denmark | **5.01** | 116.64 | -8.06 | 23.50 |

**NOTE**: Changes in currency rates will affect performance and rankings.
**KEY**: * 2YR and 5YR performance is annualized
**NA**-not available due to incomplete data;
**NS**-fund not in existence for entire period

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| FUND NAME | GF | AT | LB | NAV DATE | CR | NAV | —%RETURN— YTD | 12-MO | 2-YR |
|---|---|---|---|---|---|---|---|---|---|
| AHW Top-Div.Int. | GL | EQ | LUX | 01/15 | EUR | 53.49 | -2.1 | 24.1 | -27.0 |

AllianceBernstein

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| FUND NAME | GF | AT | LB | NAV DATE | CR | NAV | YTD | 12-MO | 2-YR |
|---|---|---|---|---|---|---|---|---|---|
| Am Eq Blend A | OT | OT | LUX | 01/18 | USD | 10.55 | 1.7 | 37.2 | -9.4 |
| Am Eq Blend B | US | EQ | LUX | 01/18 | USD | 9.91 | 1.6 | 35.9 | -10.2 |
| Am Growth A | US | EQ | LUX | 01/18 | USD | 31.39 | 0.5 | 42.9 | -0.5 |
| Am Growth AX | US | EQ | LUX | 01/18 | USD | 33.90 | 0.5 | 43.8 | 0.1 |
| Am Growth B | US | EQ | LUX | 01/18 | USD | 26.38 | 0.5 | 41.5 | -1.5 |
| Am Growth C | US | EQ | LUX | 01/18 | USD | 28.40 | 0.5 | 42.3 | -0.9 |
| Am Growth I | US | EQ | LUX | 01/18 | USD | 34.81 | 0.5 | 44.1 | 0.3 |
| Am Income A | US | BD | LUX | 01/18 | USD | 8.53 | 1.2 | 25.3 | 6.1 |
| Am Income A2 | US | BD | LUX | 01/18 | USD | 19.31 | 1.4 | 25.1 | 6.0 |
| Am Income A2 | OT | OT | NA | 01/18 | HKD | 149.92 | 1.2 | NS | NS |
| Am Income AT | OT | OT | NA | 01/15 | HKD | 66.20 | 1.2 | NS | NS |
| Am Income AT | US | BD | LUX | 01/18 | USD | 8.53 | 1.4 | 25.1 | 6.0 |
| Am Income B | US | BD | LUX | 01/18 | USD | 8.53 | 1.2 | 24.3 | 5.2 |
| Am Income B2 | US | BD | LUX | 01/18 | USD | 16.64 | 1.4 | 24.4 | 5.3 |
| Am Income B2 | OT | OT | NA | 01/18 | HKD | 129.19 | 1.2 | NS | NS |
| Am Income BT | OT | OT | NA | 01/18 | HKD | 66.61 | 1.2 | NS | NS |
| Am Income BT | US | BD | LUX | 01/18 | USD | 8.58 | 1.4 | 24.3 | 5.3 |
| Am Income C | US | BD | LUX | 01/18 | USD | 8.53 | 1.2 | 24.7 | 5.5 |
| Am Income C2 | US | BD | LUX | 01/18 | USD | 24.75 | 1.4 | 24.7 | 5.5 |
| Am Income I | US | BD | LUX | 01/18 | USD | 8.53 | 1.2 | 26.1 | 6.7 |
| Am Value A | US | EQ | LUX | 01/18 | USD | 8.66 | 1.5 | 22.5 | -9.6 |
| Am Value B | US | EQ | LUX | 01/18 | USD | 7.97 | 1.5 | 21.3 | -10.5 |
| Am Value C | US | EQ | LUX | 01/18 | USD | 8.66 | 1.5 | 22.0 | -10.0 |
| Am Value I | US | EQ | LUX | 01/18 | USD | 9.33 | 1.6 | 23.6 | -8.9 |
| Emg Mkts Debt A | GL | BD | LUX | 01/18 | USD | 15.70 | 0.9 | 44.6 | 8.5 |
| Emg Mkts Debt A2 | GL | BD | LUX | 01/18 | USD | 20.35 | 1.2 | 44.7 | 8.5 |
| Emg Mkts Debt AT | GL | BD | LUX | 01/18 | USD | 15.79 | 1.2 | 44.8 | 8.5 |
| Emg Mkts Debt B | GL | BD | LUX | 01/18 | USD | 15.70 | 0.9 | 43.2 | 7.4 |
| Emg Mkts Debt B2 | GL | BD | LUX | 01/18 | USD | 19.59 | 1.2 | 43.3 | 7.4 |
| Emg Mkts Debt BT | GL | BD | LUX | 01/18 | USD | 15.76 | 1.2 | 43.3 | 7.4 |
| Emg Mkts Debt C | GL | BD | LUX | 01/18 | USD | 15.70 | 0.9 | 44.0 | 8.0 |
| Emg Mkts Debt C2 | GL | BD | LUX | 01/18 | USD | 19.99 | 1.2 | 44.0 | 8.0 |
| Emg Mkts Debt I | GL | BD | LUX | 01/18 | USD | 15.70 | 0.9 | 45.3 | 9.1 |
| Emg Mkts Growth A | GL | EQ | LUX | 01/18 | USD | 35.08 | 1.2 | 84.7 | -8.5 |
| Emg Mkts Growth B | GL | EQ | LUX | 01/18 | USD | 29.72 | 1.2 | 83.0 | -9.4 |
| Emg Mkts Growth C | GL | EQ | LUX | 01/18 | USD | 30.40 | 1.2 | 83.9 | -8.9 |
| Emg Mkts Growth I | GL | EQ | LUX | 01/18 | USD | 38.90 | 1.3 | 86.2 | -7.8 |
| Eur Growth A | OT | OT | LUX | 01/18 | USD | 10.35 | 2.4 | 31.4 | -12.0 |
| Eur Growth A | OT | OT | LUX | 01/18 | EUR | 7.20 | 2.4 | 31.4 | -12.0 |
| Eur Growth B | OT | OT | LUX | 01/18 | EUR | 6.47 | 2.4 | 29.9 | -12.9 |
| Eur Growth B | OT | OT | LUX | 01/18 | USD | 9.30 | 2.4 | 29.9 | -12.9 |
| Eur Growth C | EU | EQ | LUX | 01/18 | EUR | 5.45 | 2.3 | 30.7 | -12.4 |
| Eur Growth I | OT | OT | LUX | 01/18 | USD | 11.29 | 2.3 | 32.4 | -11.4 |
| Eur Growth I | OT | OT | LUX | 01/18 | EUR | 7.85 | 2.3 | 32.4 | -11.4 |
| Eur Income A | OT | OT | LUX | 01/18 | EUR | 6.75 | 2.3 | 37.4 | 5.5 |
| Eur Income A | OT | OT | LUX | 01/18 | USD | 9.71 | 2.3 | 37.4 | 5.5 |
| Eur Income A2 | OT | OT | LUX | 01/18 | EUR | 13.20 | 2.6 | 37.5 | 5.5 |
| Eur Income A2 | OT | OT | LUX | 01/18 | USD | 18.98 | 2.6 | 37.5 | 5.5 |
| Eur Income AT | EU | BD | LUX | 01/18 | EUR | 6.75 | 2.6 | 37.5 | 5.5 |
| Eur Income B | OT | OT | LUX | 01/18 | EUR | 6.75 | 2.3 | 36.6 | 4.8 |
| Eur Income B | OT | OT | LUX | 01/18 | USD | 9.71 | 2.3 | 36.6 | 4.8 |
| Eur Income B2 | OT | OT | LUX | 01/18 | EUR | 12.27 | 2.5 | 36.5 | 4.7 |
| Eur Income B2 | OT | OT | LUX | 01/18 | USD | 17.64 | 2.5 | 36.5 | 4.7 |
| Eur Income BT | EU | BD | LUX | 01/18 | EUR | 6.75 | 2.4 | 36.4 | 4.7 |
| Eur Income C | OT | OT | LUX | 01/18 | EUR | 6.75 | 2.3 | 36.9 | 5.1 |
| Eur Income C | OT | OT | LUX | 01/18 | USD | 9.71 | 2.3 | 36.9 | 5.1 |
| Eur Income C2 | OT | OT | LUX | 01/18 | EUR | 13.15 | 2.5 | 36.8 | 5.0 |
| Eur Income C2 | OT | OT | LUX | 01/18 | USD | 18.91 | 2.5 | 36.8 | 5.0 |
| Eur Income I | OT | OT | LUX | 01/18 | EUR | 6.75 | 2.3 | 38.1 | 6.1 |
| Eur Income I | OT | OT | LUX | 01/18 | USD | 9.71 | 2.3 | 38.1 | 6.1 |
| Eur Strat Value A | OT | OT | LUX | 01/18 | EUR | 8.65 | 1.4 | 31.1 | -15.7 |
| Eur Strat Value A | OT | OT | LUX | 01/18 | USD | 12.44 | 1.4 | 31.1 | -15.7 |
| Eur Strat Value I | OT | OT | LUX | 01/18 | EUR | 8.86 | 1.4 | 32.2 | -15.0 |
| Eur Strat Value I | OT | OT | LUX | 01/18 | USD | 12.74 | 1.4 | 32.2 | -15.0 |
| Eur Value A | OT | OT | LUX | 01/18 | USD | 9.31 | 1.2 | 35.1 | -12.6 |
| Eur Value A | OT | OT | LUX | 01/18 | USD | 13.39 | 1.2 | 35.1 | -12.6 |
| Eur Value B | OT | OT | LUX | 01/18 | USD | 12.31 | 1.2 | 33.8 | -13.5 |
| Eur Value B | OT | OT | LUX | 01/18 | EUR | 8.56 | 1.2 | 33.8 | -13.5 |
| Eur Value C | OT | OT | LUX | 01/18 | USD | 12.94 | 1.2 | 34.5 | -13.0 |
| Eur Value C | OT | OT | LUX | 01/18 | EUR | 9.00 | 1.2 | 34.5 | -13.0 |
| Eur Value I | OT | OT | LUX | 01/18 | USD | 15.46 | 1.2 | 36.2 | -11.9 |
| Eur Value I | OT | OT | LUX | 01/18 | EUR | 10.75 | 1.2 | 36.2 | -11.9 |
| GI Balanced (Euro) A | OT | OT | LUX | 01/18 | USD | 16.75 | 1.6 | 25.8 | -7.9 |
| GI Balanced (Euro) B | OT | OT | LUX | 01/18 | USD | 16.31 | 1.5 | 24.5 | -8.8 |
| GI Balanced (Euro) C | OT | OT | LUX | 01/18 | USD | 16.62 | 1.6 | 25.5 | -8.1 |
| GI Balanced (Euro) I | OT | OT | LUX | 01/18 | USD | 17.05 | 1.5 | NS | NS |
| GI Balanced A | US | BA | LUX | 01/18 | USD | 16.76 | 1.7 | 30.8 | -7.2 |
| GI Balanced B | US | BA | LUX | 01/18 | USD | 15.93 | 1.7 | 29.5 | -8.2 |
| GI Balanced C | OT | OT | LUX | 01/18 | USD | 16.51 | 1.7 | 30.4 | -7.5 |
| GI Balanced C | OT | OT | LUX | 01/18 | EUR | 11.48 | 1.7 | 30.4 | -7.5 |
| GI Balanced I | US | BA | LUX | 01/18 | USD | 17.39 | 1.8 | 31.7 | -6.6 |
| GI Bond A | US | BD | LUX | 01/18 | USD | 9.35 | 1.2 | 13.7 | 4.7 |
| GI Bond A2 | US | BD | LUX | 01/18 | USD | 16.24 | 1.4 | 13.8 | 4.6 |
| GI Bond A2 | OT | OT | NA | 01/18 | HKD | 126.08 | 1.4 | 13.8 | 4.6 |
| GI Bond AT | OT | OT | LUX | 01/18 | HKD | 72.59 | 1.4 | 13.7 | 4.6 |
| GI Bond AT | US | BD | LUX | 01/18 | USD | 9.35 | 1.4 | 13.7 | 4.6 |
| GI Bond B | US | BD | LUX | 01/18 | USD | 9.35 | 1.2 | 12.6 | 3.6 |
| GI Bond B2 | US | BD | LUX | 01/18 | USD | 14.21 | 1.4 | 12.6 | 3.6 |
| GI Bond B2 | OT | OT | NA | 01/18 | HKD | 110.32 | 1.4 | 12.6 | 3.6 |
| GI Bond BT | OT | OT | LUX | 01/18 | HKD | 72.90 | 1.4 | 12.7 | 3.7 |
| GI Bond BT | US | BD | LUX | 01/18 | USD | 9.39 | 1.4 | 12.7 | 3.7 |
| GI Bond C | US | BD | LUX | 01/18 | USD | 9.35 | 1.2 | 13.2 | 4.2 |
| GI Bond C2 | US | BD | LUX | 01/18 | USD | 14.09 | 1.4 | 13.4 | 4.2 |
| GI Bond I | US | BD | LUX | 01/18 | USD | 9.35 | 1.2 | 14.3 | 5.2 |
| GI Conservative A | US | BA | LUX | 01/18 | USD | 15.07 | 1.3 | 19.6 | -2.2 |
| GI Conservative A2 | US | BA | LUX | 01/18 | USD | 17.16 | 1.4 | 19.6 | -2.2 |
| GI Conservative B | US | BA | LUX | 01/18 | USD | 15.05 | 1.3 | 18.3 | -3.2 |
| GI Conservative B2 | US | BA | LUX | 01/18 | USD | 16.29 | 1.2 | 18.3 | -3.2 |
| GI Conservative C | US | BA | LUX | 01/18 | USD | 15.06 | 1.3 | 19.0 | -2.7 |
| GI Conservative C2 | US | BA | LUX | 01/18 | USD | 16.78 | 1.3 | 19.0 | -2.7 |
| GI Conservative I | US | BA | LUX | 01/18 | USD | 15.14 | 1.3 | 20.5 | -1.5 |
| GI Eq Blend A | GL | EQ | LUX | 01/18 | USD | 11.88 | 1.9 | 41.8 | -16.0 |
| GI Eq Blend B | GL | EQ | LUX | 01/18 | USD | 11.14 | 1.7 | 40.3 | -16.8 |
| GI Eq Blend C | GL | EQ | LUX | 01/18 | USD | 11.67 | 1.8 | 41.1 | -16.3 |
| GI Eq Blend I | GL | EQ | LUX | 01/18 | USD | 12.54 | 2.0 | 43.0 | -15.3 |
| GI Growth A | GL | EQ | LUX | 01/18 | USD | 42.58 | 1.6 | 39.2 | -16.9 |
| GI Growth B | GL | EQ | LUX | 01/18 | USD | 35.52 | 1.5 | 37.8 | -17.7 |
| GI Growth C | GL | EQ | LUX | 01/18 | USD | 40.85 | 1.6 | 38.5 | -17.3 |
| GI Growth I | GL | EQ | LUX | 01/18 | USD | 47.29 | 1.6 | 40.3 | -16.2 |
| GI High Yield A | US | BD | LUX | 01/18 | USD | 4.43 | 2.3 | 59.5 | 6.7 |
| GI High Yield A2 | US | BD | LUX | 01/18 | USD | 9.51 | 2.7 | 59.3 | 6.6 |
| GI High Yield A2 | OT | OT | NA | 01/18 | HKD | 73.83 | 2.7 | 59.3 | 6.6 |
| GI High Yield AT | OT | OT | NA | 01/18 | HKD | 34.16 | 2.8 | 59.4 | 6.6 |
| GI High Yield AT | US | BD | LUX | 01/18 | USD | 4.40 | 2.8 | 59.4 | 6.6 |
| GI High Yield B | US | BD | LUX | 01/18 | USD | 4.43 | 2.3 | 57.5 | 5.4 |
| GI High Yield B2 | US | BD | LUX | 01/18 | USD | 15.29 | 2.8 | 57.8 | 5.6 |
| GI High Yield B2 | OT | OT | NA | 01/18 | HKD | 118.71 | 2.8 | 57.8 | 5.6 |
| GI High Yield BT | OT | OT | NA | 01/18 | HKD | 34.70 | 2.5 | 57.8 | 5.5 |
| GI High Yield BT | US | BD | LUX | 01/18 | USD | 4.47 | 2.5 | 57.8 | 5.5 |
| GI High Yield C | US | BD | LUX | 01/18 | USD | 4.43 | 2.3 | 58.6 | 6.2 |
| GI High Yield C2 | US | BD | LUX | 01/18 | USD | 14.10 | 2.8 | 58.6 | 6.2 |
| GI High Yield I | US | BD | LUX | 01/18 | USD | 4.43 | 2.3 | 60.6 | 7.4 |
| GI Thematic Res. A | OT | OT | LUX | 01/18 | USD | 14.99 | 1.8 | 78.7 | 3.8 |
| GI Thematic Res. B | OT | OT | LUX | 01/18 | USD | 13.11 | 1.7 | 76.9 | 2.7 |
| GI Thematic Res. I | OT | OT | LUX | 01/18 | USD | 16.72 | 1.8 | 80.2 | 4.6 |
| GI Value A | GL | EQ | LUX | 01/18 | USD | 11.38 | 2.2 | 44.6 | -15.0 |
| GI Value B | GL | EQ | LUX | 01/18 | USD | 10.45 | 2.1 | 43.2 | -15.9 |
| GI Value C | GL | EQ | LUX | 01/18 | USD | 11.06 | 2.1 | 44.0 | -15.4 |
| GI Value I | GL | EQ | LUX | 01/18 | USD | 12.11 | 2.2 | 45.9 | -14.3 |
| Greater China A | AS | EQ | LUX | 01/18 | USD | 40.06 | 0.1 | 68.1 | -11.5 |
| Greater China B | AS | EQ | LUX | 01/18 | USD | 35.44 | 0.1 | 66.5 | -12.4 |
| Greater China C | AS | EQ | LUX | 01/18 | USD | 39.55 | 0.1 | 67.4 | -11.9 |
| India Growth A | OT | OT | LUX | 01/18 | USD | 132.27 | 4.2 | NS | NS |
| India Growth AX | OT | OT | LUX | 01/18 | USD | 115.64 | 4.2 | 102.5 | -5.5 |
| India Growth B | OT | OT | LUX | 01/18 | USD | 138.50 | 4.2 | NS | NS |
| India Growth BX | OT | OT | LUX | 01/18 | USD | 98.80 | 4.2 | 100.4 | -6.4 |
| India Growth I | EA | EQ | LUX | 01/18 | USD | 119.87 | 4.3 | 103.3 | -5.1 |
| Int'l Health Care A | OT | EQ | LUX | 01/18 | USD | 140.67 | 2.3 | 21.6 | -6.6 |
| Int'l Health Care B | OT | EQ | LUX | 01/18 | USD | 118.59 | 2.3 | 20.3 | -7.5 |
| Int'l Health Care I | OT | EQ | LUX | 01/18 | USD | 153.75 | 2.4 | 22.5 | -5.8 |
| Int'l Technology A | OT | EQ | LUX | 01/18 | USD | 110.35 | 0.0 | 55.4 | -5.0 |
| Int'l Technology B | OT | EQ | LUX | 01/18 | USD | 95.57 | -0.1 | 53.8 | -6.0 |
| Int'l Technology C | OT | EQ | LUX | 01/18 | USD | 106.61 | 0.0 | 54.7 | -5.4 |
| Int'l Technology I | OT | EQ | LUX | 01/18 | USD | 123.77 | 0.0 | 56.6 | -4.3 |
| Japan Eq Blend A | JP | EQ | LUX | 01/18 | JPY | 6358.00 | 5.5 | 27.0 | -15.4 |
| Japan Eq Blend B | JP | EQ | LUX | 01/18 | JPY | 6133.00 | 5.5 | 25.8 | -16.2 |
| Japan Eq Blend C | JP | EQ | LUX | 01/18 | JPY | 6255.00 | 5.5 | 26.5 | -15.7 |
| Japan Growth A | JP | EQ | LUX | 01/18 | JPY | 6097.00 | 3.8 | 18.7 | -16.3 |
| Japan Growth B | JP | EQ | LUX | 01/18 | JPY | 5881.00 | 3.8 | 17.5 | -17.1 |
| Japan Growth C | JP | EQ | LUX | 01/18 | JPY | 5999.00 | 3.8 | 18.2 | -16.7 |
| Japan Strat Value A | JP | EQ | LUX | 01/18 | JPY | 6546.00 | 7.0 | 34.8 | -15.0 |
| Japan Strat Value B | JP | EQ | LUX | 01/18 | JPY | 6320.00 | 6.9 | 33.5 | -15.9 |
| Japan Strat Value C | JP | EQ | LUX | 01/18 | JPY | 6435.00 | 6.9 | 34.2 | -15.4 |
| Real Estate Sec. A | OT | EQ | LUX | 01/18 | USD | 14.37 | 0.1 | 50.2 | -10.5 |
| Real Estate Sec. B | OT | EQ | LUX | 01/18 | USD | 13.13 | 0.1 | 48.7 | -11.4 |
| Real Estate Sec. I | OT | EQ | LUX | 01/18 | USD | 15.45 | 0.2 | 51.3 | -9.8 |
| Short Mat Dollar A | US | BD | LUX | 01/18 | USD | 7.33 | 0.8 | 12.2 | -5.2 |
| Short Mat Dollar A2 | US | BD | LUX | 01/18 | USD | 9.89 | 1.0 | 12.0 | -5.2 |
| Short Mat Dollar AT | US | BD | LUX | 01/18 | USD | 7.33 | 1.1 | 12.2 | -5.2 |
| Short Mat Dollar B | US | BD | LUX | 01/18 | USD | 7.33 | 0.8 | 11.7 | -5.6 |
| Short Mat Dollar B2 | US | BD | LUX | 01/18 | USD | 9.84 | 1.0 | 11.6 | -5.6 |
| Short Mat Dollar BT | OT | OT | LUX | 01/18 | USD | 7.34 | 1.0 | 11.0 | -5.9 |
| Short Mat Dollar C | US | BD | LUX | 01/18 | USD | 7.33 | 0.8 | 11.7 | -5.6 |
| Short Mat Dollar C2 | US | BD | LUX | 01/18 | USD | 13.92 | 1.1 | 11.6 | -5.6 |
| Short Mat Dollar I | US | BD | LUX | 01/18 | USD | 7.33 | 0.8 | 12.8 | -4.6 |

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**■ ALEXANDRA INVESTMENT MANAGEMENT**
*Tel: +1 212 301 1800 Fax: +1 212 301 1810*

| FUND NAME | GF | AT | LB | NAV DATE | CR | NAV | —%RETURN— YTD | 12-MO | 2-YR |
|---|---|---|---|---|---|---|---|---|---|
| Alexandra Convertible Bond Fund I, Ltd. (Class A) | OT | OT | VGB | 11/30 | USD | 1616.75 | 66.9 | 72.1 | NS |

CREDIT PACIFIC Private Banking & Wealth Management Group

**■ CREDIT PACIFIC ASSET MANAGMENT**
*www.creditpacific.com*

| FUND NAME | GF | AT | LB | NAV DATE | CR | NAV | YTD | 12-MO | 2-YR |
|---|---|---|---|---|---|---|---|---|---|
| CPS-Master Priv Fund | GL | OT | WSM | 01/15 | USD | 100.00 | 0.0 | 21.5 | 20.8 |

PLATINUM CAPITAL MANAGEMENT

**■ PLATINUM CAPITAL MANAGEMENT**
*Tel: +44 207 024 9840, www.platinumfunds.net*

| FUND NAME | GF | AT | LB | NAV DATE | CR | NAV | YTD | 12-MO | 2-YR |
|---|---|---|---|---|---|---|---|---|---|
| Platinm-All Star | OT | OT | CYM | 10/30 | USD | 95.07 | 13.2 | 5.7 | -13.4 |
| Platinm-All Weather | OT | OT | USA | 10/31 | USD | 129.92 | 2.4 | 3.2 | 3.8 |
| Platinm-Dynasty | OT | OT | USA | 11/30 | USD | 113.20 | 10.2 | 10.7 | -29.6 |
| Platinm-Emancipation | OT | OT | USA | 11/30 | USD | 90.86 | 21.4 | 24.1 | -9.4 |
| Platinm-Equity Plus | OT | OT | USA | 05/29 | USD | 35.02 | -18.2 | -63.7 | -45.6 |
| Platinm-Gbl Dividend | OT | OT | CYM | 10/30 | USD | 60.64 | 29.4 | 15.3 | -31.8 |
| Platinm-Nordic | OT | OT | CYM | 10/30 | SEK | 607.79 | 11.4 | 9.7 | -18.3 |
| Platinm-Premier | OT | OT | CYM | 12/31 | USD | 21.20 | -55.9 | -66.0 | -44.3 |
| Platinm-Turnberry | OT | OT | USA | 11/30 | USD | 57.51 | NS | NS | -33.7 |

SUPERFUND

**■ SUPERFUND ASSET MANAGEMENT GMBH**
*For info about open funds, contact info@superfund.com and www.superfund.com*
**Closed for New Investments*

| FUND NAME | GF | AT | LB | NAV DATE | CR | NAV | YTD | 12-MO | 2-YR |
|---|---|---|---|---|---|---|---|---|---|
| Superfund Cayman* | OT | OT | CYM | 01/12 | USD | 45.19 | 7.7 | -43.5 | -2.7 |
| Superfund GCT USD* | GL | EQ | LUX | 01/12 | USD | 2419.00 | 9.0 | -31.7 | -0.6 |
| Superfund Green Gold A (SPC) | OT | OT | CYM | 01/12 | USD | 1049.52 | 7.8 | -6.3 | 6.6 |
| Superfund Green Gold B (SPC) | OT | OT | CYM | 01/12 | USD | 1038.90 | 10.3 | -19.2 | 3.3 |
| Superfund Q-AG* | OT | OT | AUT | 01/12 | EUR | 6990.00 | 5.5 | NS | 3.8 |

**■ WINTON CAPITAL MANAGEMENT LTD**
*Tel: +44 (0)20 7610 5350 Fax: +44 (0)20 7610 5301*

| FUND NAME | GF | AT | LB | NAV DATE | CR | NAV | YTD | 12-MO | 2-YR |
|---|---|---|---|---|---|---|---|---|---|
| Winton Evolution EUR Cls H | OT | OT | CYM | 12/31 | EUR | 945.08 | NS | NS | NS |
| Winton Evolution GBP Cls G | OT | OT | CYM | 12/31 | GBP | 949.08 | NS | NS | NS |
| Winton Evolution USD Cls F | OT | OT | CYM | 12/31 | USD | 1199.12 | -5.4 | -5.4 | 2.0 |
| Winton Futures EUR Cls C | OT | OT | VGB | 12/31 | EUR | 196.82 | -4.4 | -4.4 | 7.7 |
| Winton Futures GBP Cls D | OT | OT | VGB | 12/31 | GBP | 212.85 | -4.1 | -4.1 | 8.7 |
| Winton Futures JPY Cls E | OT | OT | VGB | 12/31 | JPY | 13885.82 | -5.9 | -5.9 | 5.0 |
| Winton Futures USD Cls B | OT | OT | VGB | 12/31 | USD | 699.39 | -4.6 | -4.6 | 7.4 |

For information about listing your funds, please contact: Carson Wong tel: +852 2831-6481; email: carson.wong@dowjones.com

MARKETS

# Vote in Massachusetts boosts health-care plays

By Donna Kardos Yesalavich And Kristina Peterson

NEW YORK—Health-care stocks soared on hopes that U.S. health-care legislation will be softened following Tuesday's special election in Massachusetts, pushing up the broader U.S. market.

The gains came as Massachusetts residents headed to the ballot box in a tight special election to replace the late Democratic senator, Edward Kennedy. A victory by Republican candidate Scott Brown could pave the way for legislative compromises that defer more to the private sector.

**ABREAST OF THE MARKET**

The Dow Jones Industrial Average was up 85.40 points, or 0.8% to 10695.05 in midday trade. Health-care components led its gainers, with **Merck** jumping 3% and **Pfizer** up 2.3%.

**Kraft Foods** led the measure's decliners, off 2.6% after it clinched a deal to acquire **Cadbury** in a tie-up that ends the nearly 200-year independence of Britain's most famous candy company.

Financial components **Bank of America** and **J.P. Morgan Chase** also fell close to 1% each, after **Citigroup** posted a fourth-quarter loss. However, Citigroup, which isn't a Dow component, climbed 0.9% as investors were relieved to see improvement in the bank's losses from consumer loans in the United States, Asia, and Latin America.

The technology-heavy Nasdaq Composite climbed 1.1% to 2312.98. The Standard & Poor's 500-share index rose 0.9% to 1146.21.

Major managed-care stocks roseas investors anticipated the Massachusetts vote. Humana was up 5.9%. Hospitals fell; those cared for large numbers of uninsured patients are seen as benefiting from an expansion of health coverage to millions more Americans. Tenet Healthcare was down 4.1%.

Warren Buffett's **Berkshire Hathaway** rose 1.2% after paying $1.3 billion for U.S. life insurance business from **Swiss Reinsurance**.

## European stocks

Cadbury's gains and advances by pharmaceuticals pushed up European shares. The pan-European Dow Jones Stoxx 600 index gained 0.8% to 260.26.

Cadbury climbed 3.6% in London after it agreed to be acquired by Kraft.

Drug stocks were boosted by the Massachusetts vote; **Sanofi-Aventis** added 1.8% in Paris.

Among national indexes, the U.K. FTSE 100 index added 0.3% to 5513.14, the German DAX index added 1% to 5976.48 and the French CAC-40 index rose 0.8% to 4009.67.

U.K. luxury goods retailer **Burberry** jumped 8.3% on a strong earnings report.

French power and transport firm **Alstom** fell 2.5% in Paris. The firm reported a 3% rise in third-quarter sales, but orders fell sharply.

# Euro slides on German, Greek worries

By Bradley Davis

NEW YORK—The dollar benefited from euro-zone woes Tuesday, as worse-than-expected German economic data and continued concern over sovereign-credit issues in Greece sank the common currency to near its lowest levels of 2010.

Midday Tuesday in New York, the euro was at $1.4269 from $1.4380 late Monday.

**CURRENCY MARKETS**

The dollar was at 91.10 yen, up from 90.77 yen late Monday, while the euro was at 129.99 yen from 130.53 yen. The U.K pound was at $1.6368 from $1.6336. The dollar was at 1.0339 Swiss francs from 1.0251 francs.

The dollar is gaining as investors adjust their expectations for global economic growth, determining the U.S. is likely to continue to emerge from the widespread recession at a quicker clip than the euro zone, said Andrew Wilkinson, senior market analyst at Interactive Brokers in Greenwich, Conn.

Adding to the darkening global economic tone, Japanese consumers also became more pessimistic in December, according to the Cabinet Office's consumer-sentiment survey. The disappointing data led the dollar to also gain slightly on the yen.

Also denting the yen were fears that China would move to slow its economic recovery with an increase in interest rates.

# Banks lift Hong Kong as most markets decline

By V. Phani Kumar And Leslie Shaffer

Most Asian stock markets declined Tuesday in quiet trade as investors awaited more U.S. earnings reports, but Hong Kong and Shanghai indexes climbed, with beaten-down bank stocks rising on eased concerns about monetary tightening in China.

Chip makers fell after strong gains following Intel's earnings Friday and on recent declines in an index measuring DRAM prices. **Nanya Technology** slumped 6% and **Inotera Memories** sank 6.3% in Taipei. **Samsung Electronics** dropped 2.4% and **Hynix Semiconductor** lost 1.2% in Seoul, while **Elpida Memory** skidded 4.5% in Tokyo.

**ASIAN-PACIFIC STOCKS**

In Tokyo, the Nikkei Stock Average of 225 companies slipped 0.8% to 10764.90.

Japanese exporters were hurt as the yen strengthened, with **Canon** Inc. sliding 1.4% and **Honda Motor** Co. shedding 2.1%.

In Hong Kong, the Hang Seng Index rose 1% to 21677.98, snapping a five-session losing streak.

Chinese banks rose in Hong Kong as fears eased about monetary tightening in China. The country's banking regulator said Monday that banks will always be required to base their lending on real demand and to properly manage the pace and quality of lending.

The comments were seen as a response to a report widely cited by local media that the China Banking Regulatory Commission had set new yuan-loan quotas for big state-owned lenders.

The advance came although the People's Bank of China raised the yield on its benchmark one-year bills for the second straight week in its open-market operation, renewing some concerns about further monetary tightening.

**China Construction Bank** and **Bank of China** each jumped 4.1%, and **Industrial & Commercial Bank of China** gained 3.1% in Hong Kong.

**Orient Overseas (International)** rose 6.2% on news that Singapore property developer **CapitaLand** plans to buy the company's China property business for US$2.2 billion.

In Shanghai, the composite index climbed 0.3% to 3246.87, also led by banking shares. **China Eastern Airlines** advanced again, rising 5%, on recent news that it expects to return to a profit in 2009.

In Sydney, the S&P/ASX 200 fell 1% to 4861.23.

Australian banks dropped on profit-taking after strong gains Monday. **Westpac Banking** shed 1.2%, and **Commonwealth Bank of Australia** gave up 2.4%.

**Computershare** jumped 8.2% after the company said earnings per share for the first half of 2010 will be 20% higher than the first and second halves of the 2009, although management also warned that the second half of 2010 may not be as strong.


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| FUND NAME | GF | AT | LB | NAV DATE | CR | NAV | —%RETURN— YTD | 12-MO | 2-YR |
|---|---|---|---|---|---|---|---|---|---|
| Concentra AE | EU | EQ | DEU | 01/19 | EUR | 51.60 | -1.1 | 41.9 | -8.7 |
| Industria AE | EU | EQ | DEU | 01/19 | EUR | 72.69 | 1.6 | 34.3 | -12.5 |
| InternRent AE | EU | BD | DEU | 01/19 | EUR | 35.81 | 1.7 | 1.4 | 8.7 |

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*Fax No: 65-6835 8865, Website: www.cam.com.sg, Email: cam@cam.com.sg*

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| CAM-GTF Limited | AS | EQ | MUS | 01/08 | USD | 290385.55 | 5.8 | 115.3 | 5.2 |

GAM

■ GAM FUND MANAGEMENT LIMITED
*George's Court, 54-62 Townsend Street, Dublin 2, Ireland*
*Tel +353 1 609 3927 Fax +353 1 611 7941, Internet: www.gam.com*

| FUND NAME | GF | AT | LB | NAV DATE | CR | NAV | —%RETURN— YTD | 12-MO | 2-YR |
|---|---|---|---|---|---|---|---|---|---|
| GAM Arbitrage Op | OT | OT | VGB | 01/08 | USD | 1265.58 | 1.8 | 24.9 | -7.6 |
| GAM Asia Eq Hdg JPY Op | GL | EQ | VGB | 01/11 | JPY | 16208.20 | 4.3 | 67.7 | 4.5 |
| GAM Asia Equity Hedge US | OT | OT | VGB | 01/11 | USD | 301.38 | 3.8 | 67.4 | 5.6 |
| GAM Asia Equity USD | OT | OT | VGB | 01/18 | USD | 663.66 | 1.5 | 78.5 | -8.6 |
| GAM Asia-Pacific Eq USD | OT | OT | VGB | 01/12 | USD | 1357.33 | 5.8 | 25.3 | -12.1 |
| GAM Com Glb Bal EUR Op | US | BA | VGB | 01/11 | EUR | 95.98 | 2.1 | 17.6 | -7.3 |
| GAM Com Glb Bal USD Op | US | BA | VGB | 01/11 | USD | 130.50 | 2.1 | 17.6 | -7.3 |
| GAM Comp Glb Eq EUR Op | GL | EQ | VGB | 01/11 | EUR | 99.19 | 3.0 | 25.8 | -13.2 |
| GAM Comp Glb Eq USD Op | GL | EQ | VGB | 01/11 | USD | 131.35 | 3.0 | 25.8 | -13.2 |
| GAM Comp Glb Gr EUR Op | US | BA | VGB | 01/11 | EUR | 86.93 | 2.4 | 18.4 | -10.9 |
| GAM Comp Glb Gr USD Op | US | BA | VGB | 01/11 | USD | 130.10 | 2.4 | 18.4 | -10.9 |
| GAM CompAbsRT EUR Op | OT | OT | VGB | 09/30 | EUR | 141.71 | 9.1 | 0.1 | -6.9 |
| GAM CompAbsRT SGD Op | OT | OT | VGB | 09/30 | SGD | 102.21 | 9.2 | -0.1 | -8.3 |
| GAM CompAbsRT USD Op | OT | OT | VGB | 09/30 | USD | 845.66 | 9.5 | 0.7 | -7.0 |
| GAM Cptal Apprec Eq Inc | US | EQ | VGB | 01/15 | USD | 250.49 | 0.7 | 36.6 | -8.7 |
| GAM Cross Trading Inc | OT | OT | VGB | 01/11 | USD | 468.70 | 0.6 | NS | NS |
| GAM Diversity CHF Op | OT | OT | VGB | 01/11 | CHF | 95.00 | 0.7 | 4.2 | -6.4 |
| GAM Diversity EUR Op | OT | OT | VGB | 01/11 | EUR | 653.49 | 0.8 | 5.0 | -4.8 |
| GAM Diversity USD 2.5XL | OT | OT | VGB | 01/11 | USD | 79.73 | 1.8 | 9.5 | NS |
| GAM Diversity USD Op | OT | OT | VGB | 01/11 | USD | 686.19 | 0.8 | NS | NS |
| GAM Dvrsty II CHF Op | OT | OT | VGB | 01/11 | CHF | 100.26 | 0.8 | NS | NS |
| GAM Dvrsty II EUR Op | OT | OT | VGB | 01/11 | EUR | 139.86 | 0.8 | 4.6 | -5.0 |
| GAM Dvrsty II USD Op | OT | OT | VGB | 01/11 | USD | 211.83 | 0.8 | NS | -5.3 |
| GAM DvrstyIII EUR Op | OT | OT | VGB | 01/11 | EUR | 116.48 | 0.8 | 4.6 | -5.1 |
| GAM DvrstyIII USD Op | OT | OT | VGB | 01/11 | USD | 122.95 | 0.8 | 4.7 | -5.3 |
| GAM Euro Eq Hdg EUR Op | EU | EQ | VGB | 01/11 | EUR | 221.98 | 1.4 | 11.1 | -3.5 |
| GAM Euro Eq Hdg USD Op | OT | OT | VGB | 01/11 | USD | 206.22 | 1.4 | 10.6 | -1.9 |
| GAM European Equity USD | OT | OT | VGB | 01/15 | USD | 298.50 | 1.8 | 41.4 | -10.6 |
| GAM GAMCO | OT | EQ | VGB | 01/12 | USD | 826.64 | 2.0 | 34.1 | -7.8 |
| GAM Gb EmMkts Hdg EUROp | OT | OT | VGB | 01/11 | EUR | 98.89 | 1.1 | 13.4 | -16.4 |
| GAM Gb EmMkts Hdg USDOp | OT | OT | VGB | 01/11 | USD | 104.26 | 1.0 | 13.9 | -15.7 |
| GAM Gbl Divers USD Inc. | GL | EQ | VGB | 01/11 | USD | 260.38 | 4.2 | 25.7 | -5.4 |
| GAM Grtr China Eq Hdg Op | GL | EQ | VGB | 01/11 | USD | 298.02 | 3.9 | 95.1 | 23.7 |
| GAM Intrst Trend II | GL | BD | VGB | 12/31 | USD | 94.13 | 42.5 | 42.5 | -9.1 |
| GAM Intrst Trend Inc | OT | OT | VGB | 01/11 | USD | 264.08 | 5.0 | 59.6 | -4.9 |
| GAM Japan Eq Hdg EUR Op | AS | EQ | VGB | 01/11 | EUR | 122.40 | 4.9 | 12.5 | -3.3 |
| GAM Japan Eq Hdg USD Op | OT | OT | VGB | 01/11 | USD | 128.06 | 4.9 | NS | -15.6 |
| GAM Japan Eq Hdg YEN Open | AS | EQ | VGB | 01/11 | JPY | 8822.67 | 5.0 | 12.0 | -14.7 |
| GAM Japan USD | JP | EQ | VGB | 01/18 | USD | 1205.29 | 9.3 | 22.7 | -10.9 |
| GAM Japan YEN | JP | EQ | VGB | 01/18 | JPY | 9533.01 | 8.0 | 25.3 | -16.5 |
| GAM Money Mkt EuroOp | EU | MM | VGB | 01/15 | EUR | 51.15 | 0.1 | 0.2 | 1.6 |
| GAM Money Mkt USD | US | MM | VGB | 01/15 | USD | 99.99 | 0.1 | 0.0 | 0.8 |
| GAM Multi-Arb EUR Op | OT | OT | VGB | 01/11 | EUR | 112.27 | 1.0 | 0.2 | -8.9 |
| GAM Multi-Arb USD Op | OT | OT | VGB | 01/11 | USD | 117.23 | 1.0 | 0.3 | -9.2 |
| GAM Multi-China EUR Op | OT | OT | VGB | 01/11 | EUR | 170.26 | 1.4 | 14.2 | NS |
| GAM Multi-China USD Op | OT | OT | VGB | 01/11 | USD | 179.02 | 1.4 | 14.8 | -9.0 |
| GAM Multi-Emer Mkts GBP | OT | OT | VGB | 01/11 | GBP | 134.06 | 1.9 | 26.4 | -1.3 |
| GAM Multi-Emer Mkts USD | OT | OT | VGB | 01/11 | USD | 663.25 | 1.9 | 26.4 | -1.6 |
| GAM Multi-Eur EUR Op | OT | OT | VGB | 01/11 | EUR | 271.61 | 1.0 | 7.8 | -8.6 |
| GAM Multi-Eur II EUR Op | OT | OT | VGB | 01/11 | EUR | 139.75 | 1.0 | 7.8 | -8.6 |
| GAM Multi-Eur II USD Op | OT | OT | VGB | 01/11 | USD | 114.21 | 1.0 | 7.4 | -9.6 |
| GAM Multi-Eur USD Op | OT | OT | VGB | 01/11 | USD | 472.47 | 1.0 | 7.5 | -9.5 |
| GAM Multi-Nth Am EUR Special | OT | OT | VGB | 01/11 | EUR | 134.58 | 0.4 | NS | NS |
| GAM Multi-Nth Am USD Special | OT | OT | VGB | 01/11 | USD | 219.04 | 0.4 | 11.7 | NS |
| GAM Multi-Pac EUR Op | GL | EQ | VGB | 01/11 | EUR | 145.27 | 1.3 | 6.6 | -3.7 |
| GAM Multi-Pac USD Op | OT | OT | VGB | 01/11 | USD | 167.58 | 1.3 | 6.7 | -4.1 |
| GAM Portable Dvr/S&P500 | OT | OT | VGB | 08/24 | USD | 70.11 | 17.7 | -27.7 | -22.9 |
| GAM Selection Hdg | US | EQ | VGB | 01/08 | USD | 2723.40 | 3.2 | 72.0 | 10.5 |
| GAM Sing/Malaysia | AS | EQ | VGB | 01/18 | USD | 2611.40 | 3.4 | 66.5 | -6.9 |
| GAM Sterling Spe Bd Inc | OT | OT | VGB | 01/04 | GBP | 230.99 | 0.4 | 41.6 | 2.4 |
| GAM Trading EUR Inc | OT | OT | VGB | 01/11 | EUR | 327.16 | 0.6 | 5.6 | 6.6 |
| GAM Trading USD Inc | OT | OT | VGB | 01/11 | USD | 978.98 | 0.6 | 5.9 | 5.9 |
| GAM Trdg II IncEUR Op | OT | OT | VGB | 01/11 | EUR | 139.92 | 0.6 | 5.5 | 6.5 |
| GAM Trdg II IncUSD Op | OT | OT | VGB | 01/11 | USD | 317.88 | 0.6 | 5.9 | 6.0 |
| GAM Trdg IV IncEUR Op | OT | OT | VGB | 01/11 | EUR | 147.67 | 0.6 | 5.4 | 6.2 |
| GAM Trdg IV IncUSD Op | OT | OT | VGB | 01/11 | USD | 155.46 | 0.6 | 5.6 | 5.9 |
| GAM Trdg V IncEUR Op | OT | OT | VGB | 01/11 | EUR | 125.24 | 0.6 | 5.4 | 6.1 |
| GAM Trdg V IncUSD Op | OT | OT | VGB | 01/11 | USD | 130.39 | 0.6 | 5.5 | 5.9 |
| GAM TrdgIII IncEUR Op | OT | OT | VGB | 01/11 | EUR | 158.02 | 0.6 | 5.5 | 6.3 |
| GAM TrdgIII IncUSD Op | OT | OT | VGB | 01/11 | USD | 163.50 | 0.6 | 5.6 | 5.9 |
| GAM USDSpecBondInc | US | BD | VGB | 01/11 | USD | 550.65 | 3.9 | 75.8 | 8.1 |
| GAM Worldwide | GL | EQ | VGB | 01/15 | USD | 2253.13 | 1.3 | 38.3 | -7.8 |
| GAMut Investments | OT | OT | VGB | 01/13 | USD | 7649.45 | 0.9 | 5.2 | 8.1 |

■ GAM Star Fund Plc

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| GAMStar-AsEqCHF Ord Ac | AS | EQ | IRL | 01/15 | CHF | 11.13 | 0.8 | 62.9 | -13.0 |
| GAMStar-AsEqEUR Ord Ac | AS | EQ | IRL | 01/15 | EUR | 12.07 | 1.4 | 65.9 | -8.0 |
| GAMStar-AsEqGBP Ord Ac | AS | EQ | IRL | 01/15 | GBP | 1.59 | 1.1 | 63.8 | -0.4 |
| GAMStar-AsEqUSD Ord Ac | AS | EQ | IRL | 01/15 | USD | 13.65 | 1.7 | 82.0 | -9.2 |
| GAMStar-AsPacEqEUR Acc | AS | EQ | IRL | 01/15 | EUR | 107.82 | 6.6 | 29.8 | -8.8 |
| GAMStar-AsPacEqEUR Inc | AS | EQ | IRL | 01/15 | EUR | 104.35 | 6.6 | 29.8 | -8.7 |
| GAMStar-ContEurEqEUR Ac | EU | EQ | IRL | 01/15 | EUR | 11.14 | 1.3 | 31.9 | -7.4 |
| GAMStar-EurpEqEUR Acc | EU | EQ | IRL | 01/15 | EUR | 185.60 | 1.4 | 31.1 | -9.5 |
| GAMStar-EurpEqEUR Inc | EU | EQ | IRL | 01/15 | EUR | 169.60 | 1.4 | 31.0 | -9.5 |
| GAMStar-EurpEqUSD Acc | EU | EQ | IRL | 01/15 | USD | 16.29 | 1.8 | 43.7 | -10.5 |
| GAMStar-EurpEqUSD Inc | EU | EQ | IRL | 01/15 | USD | 14.77 | 1.8 | 43.6 | -10.5 |
| GAMStar-FrontierOppUSD Acc | GL | EQ | IRL | 01/15 | USD | 5.49 | 0.1 | 27.6 | NS |
| GAMStar-JpnEq EUR Acc | JP | EQ | IRL | 01/15 | EUR | 96.88 | 10.1 | 21.3 | -6.6 |
| GAMStar-JpnEq EUR Inc | JP | EQ | IRL | 01/15 | EUR | 96.88 | 10.1 | 21.3 | -6.6 |
| GAMStar-JpnEq JPY Acc | JP | EQ | IRL | 01/15 | JPY | 1003.42 | 8.9 | 30.1 | -16.0 |
| GAMStar-JpnEq USD Acc | JP | EQ | IRL | 01/15 | USD | 12.26 | 10.3 | 25.8 | -10.6 |
| GAMStar-World EqUSD Acc | GL | EQ | IRL | 01/15 | USD | 2266.22 | 1.3 | 39.3 | -7.3 |

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■ MANULIFE ASSET MANAGEMENT TEL:(852)2108 1110
*Internet:http://www.manulife.com.hk 47/F Manulife Plaza, Causeway Bay, Hong Kong*

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|---|---|---|---|---|---|---|---|---|---|
| American Growth | US | EQ | LUX | 01/19 | USD | 15.36 | 0.6 | 31.3 | -7.8 |
| American Growth AA | US | EQ | LUX | 01/19 | USD | 0.88 | 0.6 | 30.9 | -5.9 |
| Asian Equity | AS | EQ | LUX | 01/19 | USD | 2.49 | 1.5 | 77.9 | -6.2 |
| Asian Equity AA | AS | EQ | LUX | 01/19 | USD | 0.80 | 1.5 | 77.3 | -6.5 |
| Asian Sm Cap Equity AA | AS | EQ | LUX | 01/19 | USD | 1.22 | 5.2 | 106.8 | -1.3 |
| China Value A | AS | EQ | LUX | 01/19 | USD | 7.15 | 0.5 | 74.9 | -2.2 |
| China Value AA | AS | EQ | LUX | 01/19 | USD | 2.25 | 0.5 | 74.4 | -2.5 |
| Dragon Growth | AS | EQ | LUX | 01/19 | USD | 1.66 | 0.8 | 75.2 | -6.1 |
| Dragon Growth AA | OT | OT | LUX | 01/19 | HKD | 8.06 | 0.9 | 74.9 | -7.1 |
| Emg Eastrn Europe A | EU | EQ | LUX | 01/19 | USD | 4.92 | 6.7 | 129.5 | -12.8 |
| Emg Eastrn Europe AA | EU | EQ | LUX | 01/19 | USD | 2.12 | 6.7 | 129.2 | -12.9 |
| European Growth | EU | EQ | LUX | 01/19 | USD | 9.26 | 1.2 | 60.9 | -13.6 |
| European Growth AA | EU | EQ | LUX | 01/19 | USD | 0.66 | 1.2 | 60.5 | -13.8 |
| Global Contrarain AA | GL | EQ | LUX | 01/19 | USD | 0.92 | 4.7 | 100.4 | NS |
| Global Property AA | OT | EQ | LUX | 01/19 | USD | 0.68 | 0.5 | 56.8 | -9.6 |
| Global Resources AA | OT | EQ | LUX | 01/19 | USD | 1.12 | 3.6 | 61.4 | -7.3 |
| Healthcare AA | OT | EQ | LUX | 01/19 | USD | 0.96 | 1.3 | 18.2 | NS |
| India Equity AA | EA | EQ | LUX | 01/19 | USD | 1.13 | 2.6 | 89.4 | -15.4 |
| International Growth | GL | EQ | LUX | 01/19 | USD | 3.12 | 2.2 | 32.7 | -10.8 |
| International Growth AA | GL | EQ | LUX | 01/19 | USD | 0.72 | 2.2 | 32.3 | -11.1 |
| Japanese Growth | JP | EQ | LUX | 01/19 | USD | 2.91 | 5.7 | 18.5 | -8.6 |
| Japanese Growth AA | JP | EQ | LUX | 01/19 | USD | 0.76 | 5.7 | 18.2 | -8.8 |
| Latin America Equity AA | GL | EQ | LUX | 01/19 | USD | 1.29 | 0.2 | 103.8 | 2.2 |
| Manulife GF Strategic Income Fund AA | OT | OT | NA | 01/19 | USD | 1.02 | 1.3 | NS | NS |
| MGF Asia Value Dividend Equity Fund | OT | OT | Lux | 01/19 | USD | 1.18 | 3.3 | NS | NS |
| Russia Equity AA | EE | EQ | LUX | 01/19 | USD | 0.70 | 13.3 | 189.1 | -17.2 |
| Taiwan Equity AA | AS | EQ | LUX | 01/19 | USD | 1.08 | 0.4 | 99.3 | 4.5 |
| Turkey Equity AA | EE | EQ | LUX | 01/19 | USD | 0.82 | 6.0 | 141.9 | -4.9 |
| U.S. Bond AA | US | BD | LUX | 01/19 | USD | 1.13 | 1.7 | 18.3 | 7.4 |
| U.S. Sm Cap Equity AA | US | EQ | LUX | 01/19 | USD | 0.84 | 3.3 | 72.6 | -5.8 |
| U.S. Special Opportunities | OT | OT | LUX | 01/19 | USD | 0.86 | 5.6 | 81.0 | 5.4 |
| U.S. Tsy Inf-ProtSec AA | OT | BD | LUX | 01/19 | USD | 1.15 | 0.8 | 8.9 | 2.2 |

■ PT CIPTADANA ASSET MANAGEMENT
*Tel: +62 21 25574 883 Fax: +62 21 25574 893 Website: www.ciptadana.com*

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|---|---|---|---|---|---|---|---|---|---|
| Indonesian Grth Fund | EA | EQ | CYM | 01/13 | USD | 136.95 | 7.5 | 110.4 | -1.1 |

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| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Asia Value Formula Fd-B | AS | EQ | CYM | 01/18 | USD | 8.24 | 2.7 | 101.5 | -1.7 |

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*www.sgam.com*

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|---|---|---|---|---|---|---|---|---|---|
| Bonds Eur Hi Yld A | OT | OT | LUX | 01/15 | EUR | 21.26 | 3.3 | 52.1 | 1.8 |
| Bonds EURO A | OT | OT | LUX | 01/18 | EUR | 41.25 | 0.5 | 4.7 | 4.6 |
| Bonds EUROPE A | OT | OT | LUX | 01/18 | EUR | 39.40 | 0.8 | 3.8 | 4.1 |
| Bonds US OppsCoreplus A | OT | OT | LUX | 01/15 | USD | 37.33 | 1.2 | 15.3 | 8.0 |
| Bonds World A | OT | OT | LUX | 01/18 | USD | 42.55 | 1.3 | 9.2 | 5.4 |
| Eq. AsiaPac Dual Strategies A | OT | OT | LUX | 01/18 | USD | 10.64 | 2.1 | 78.7 | -7.2 |
| Eq. China A | AS | EQ | LUX | 01/18 | USD | 23.54 | -2.4 | 71.9 | -11.0 |
| Eq. Concentrated Euroland A | OT | OT | LUX | 01/18 | EUR | 93.34 | 0.4 | 27.4 | -14.8 |
| Eq. ConcentratedEuropeA | EU | EQ | LUX | 01/18 | EUR | 27.54 | 2.0 | 38.9 | -12.6 |
| Eq. Emerging Europe A | OT | OT | LUX | 01/18 | EUR | 25.43 | 7.9 | 102.1 | -19.8 |
| Eq. Euroland A | EU | EQ | LUX | 01/18 | EUR | 10.92 | 0.8 | 26.3 | -15.9 |
| Eq. Euroland Small Cap A | OT | OT | LUX | 01/18 | EUR | 147.29 | 4.3 | 50.0 | -3.4 |
| Eq. EurolandCyclclsA | EU | EQ | LUX | 01/18 | EUR | 18.05 | 1.4 | 38.0 | -9.9 |
| Eq. EurolandFinancialA | OT | EQ | LUX | 01/15 | EUR | 11.39 | 0.7 | 48.3 | -19.1 |
| Eq. Glbl Emg Cty A | GL | EQ | LUX | 01/18 | USD | 9.77 | 0.9 | 73.1 | -11.3 |
| Eq. Global A | GL | EQ | LUX | 01/18 | USD | 28.52 | 2.4 | 41.1 | -8.6 |
| Eq. Global Energy A | OT | EQ | LUX | 01/18 | USD | 18.79 | 3.6 | 35.5 | -7.5 |
| Eq. Global Resources A | OT | OT | LUX | 01/18 | USD | 114.22 | 4.6 | 67.7 | -4.7 |
| Eq. Gold Mines A | OT | EQ | LUX | 01/15 | USD | 31.35 | 3.5 | 73.2 | -2.8 |
| Eq. India A | OT | OT | LUX | 01/18 | USD | 136.07 | 4.1 | 92.0 | -15.0 |
| Eq. Japan CoreAlpha A | OT | OT | LUX | 01/18 | JPY | 7890.97 | 8.8 | 34.7 | -5.9 |
| Eq. Latin America A | OT | OT | LUX | 01/15 | USD | 116.37 | 0.1 | 90.4 | -8.4 |
| Eq. US Lg Cap Gr A | US | EQ | LUX | 01/15 | USD | 15.55 | 2.0 | 47.8 | -9.1 |
| Eq. US Rel Val A | US | EQ | LUX | 01/15 | USD | 21.22 | 3.0 | 43.4 | -10.7 |
| Eq. US Sm Cap Val A | US | EQ | LUX | 01/15 | USD | 16.28 | 2.0 | 34.7 | -15.6 |
| Money Market EURO A | EU | MM | LUX | 01/15 | EUR | 27.40 | 0.0 | 0.9 | 2.6 |
| Money Market USD A | US | MM | LUX | 01/15 | USD | 15.83 | 0.0 | 0.5 | 1.6 |

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| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| TNI Mena Real Estate Fund | OT | OT | BMU | 01/07 | USD | 979.79 | 1.9 | 4.2 | -27.0 |
| TNI MENA Special Sits Fund | OT | OT | BMU | 12/31 | USD | 1079.31 | 11.2 | 11.2 | NS |
| TNI UAE Blue Chip Fund | OT | OT | ARE | 01/14 | AED | 5.19 | -2.6 | 6.0 | -33.8 |

Value Partners
Investing through discipline

■ WEBSITE: WWW.VALUEPARTNERS.COM.HK, TEL: (852) 2880 9263, FAX: (852) 2564 8487
*formerly known as China ABH Shares Fund

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Intel-Chin MainInd Foc | AS | EQ | CYM | 01/15 | USD | 30.29 | 1.5 | 99.7 | 5.9 |
| Intel-China Converg* | AS | EQ | CYM | 01/15 | USD | 115.18 | 1.0 | 99.9 | 4.9 |
| VP Classic - A | AS | EQ | CYM | 01/18 | USD | 190.83 | 2.3 | 93.5 | 2.4 |
| VP CLassic - B | AS | EQ | CYM | 01/18 | USD | 88.92 | 2.3 | 92.6 | 1.9 |
| VP High Dividend Stk | AS | EQ | CYM | 01/11 | USD | 47.10 | 3.7 | 81.6 | 1.9 |

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*Tel +44-207-269 0203 www.yukifunds.com*

■ YMR-N Series

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| YMR-N Growth Fund | OT | OT | IRL | 01/19 | JPY | 9659.00 | 3.3 | 23.0 | -18.2 |
| YMR-N Small Cap Fund | OT | OT | IRL | 01/19 | JPY | 7042.00 | 0.3 | 16.3 | -18.1 |

■ Yuki 77 Series

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Yuki 77 General | JP | EQ | IRL | 01/19 | JPY | 6290.00 | 2.3 | 12.6 | -21.2 |
| Yuki 77 Growth | JP | EQ | IRL | 01/19 | JPY | 5739.00 | 1.7 | 7.8 | -26.2 |

■ Yuki Chugoku Series

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Yuki Chugoku Jpn Gen | JP | EQ | IRL | 01/19 | JPY | 7021.00 | 2.8 | 17.6 | -17.8 |
| Yuki Chugoku JpnLowP | JP | EQ | IRL | 01/19 | JPY | 7882.00 | 4.5 | 2.1 | -17.2 |

■ Yuki Hokuyo Japan Series

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Yuki Hokuyo Jpn Gen | JP | EQ | IRL | 01/19 | JPY | 4818.00 | 3.1 | 13.1 | -21.2 |
| Yuki Hokuyo Jpn Inc | JP | EQ | IRL | 01/19 | JPY | 5453.00 | 3.9 | 11.4 | -15.4 |
| Yuki Hokuyo Jpn Sm Cap | JP | EQ | IRL | 01/19 | JPY | 5124.00 | 0.4 | 14.9 | -16.9 |

■ Yuki Mizuho Series

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Yuki Mizuho Gen Jpn III | OT | OT | IRL | 01/19 | JPY | 4520.00 | 2.3 | 14.4 | -25.0 |
| Yuki Mizuho Jpn Dyn Gro | OT | OT | IRL | 01/19 | JPY | 4788.00 | 2.6 | 14.2 | -24.7 |
| Yuki Mizuho Jpn Exc 100 | OT | OT | IRL | 01/19 | JPY | 7122.00 | 2.2 | 24.4 | -19.5 |
| Yuki Mizuho Jpn Gen | OT | OT | IRL | 01/19 | JPY | 8824.00 | 2.4 | 17.7 | -18.8 |
| Yuki Mizuho Jpn Gro | OT | OT | IRL | 01/19 | JPY | 6503.00 | 2.3 | 12.7 | -21.8 |
| Yuki Mizuho Jpn Inc | OT | OT | IRL | 01/19 | JPY | 7865.00 | 3.0 | 4.4 | -18.7 |
| Yuki Mizuho Jpn Lg Cap | OT | OT | IRL | 01/19 | JPY | 5369.00 | 3.5 | 15.6 | -19.3 |
| Yuki Mizuho Jpn LowP | OT | OT | IRL | 01/19 | JPY | 11888.00 | 2.8 | 13.5 | -13.5 |
| Yuki Mizuho Jpn PGth | OT | OT | IRL | 01/19 | JPY | 8067.00 | 1.3 | 13.8 | -24.7 |
| Yuki Mizuho Jpn SmCp | OT | OT | IRL | 01/19 | JPY | 7118.00 | -0.3 | 21.3 | -18.5 |
| Yuki Mizuho Jpn Val Sel | OT | OT | IRL | 01/19 | JPY | 5818.00 | 3.0 | 18.6 | -16.8 |
| Yuki Mizuho Jpn YoungCo | OT | OT | IRL | 01/19 | JPY | 2724.00 | -0.1 | 17.1 | -26.4 |

■ Yuki Shizuoka Japan Series

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Yuki Shizuoka General Japan | JP | EQ | IRL | 01/19 | JPY | 5567.00 | 2.7 | 17.0 | -18.1 |

For information about listing your funds, please contact: Carson Wong tel: +852 2831-6481; email: carson.wong@dowjones.com

# Major players & benchmarks

At right, a look at the Asia Titans, the biggest and best known companies in Asia. Below, some of the Dow Jones Titans indexes of biggest and most liquid stocks in individual countries and regions

## Giants around the world

In U.S.-dollar terms.

### Dow Jones Country Titans

| | INDEX PERFORMANCE Previous session | Year-to-date | 52-week |
|---|---|---|---|
| Russia | -0.13% | 5.1% | 144.0% |
| Japan | -1.06 | 5.1 | 19.8 |
| Turkey | 0.48 | 2.7 | 115.0 |
| Sweden | -0.27 | 2.5 | 71.6 |
| Netherlands | 0.06 | 2.1 | 47.5 |
| U.K. | 0.23 | 1.9 | 34.7 |
| Switzerland | -0.07 | 1.8 | 38.1 |
| France | 0.55 | 1.4 | 38.0 |
| Italy | 0.14 | 1.2 | 33.2 |
| Spain | 0.67 | 1.1 | 30.6 |
| South Korea | 0.15 | 0.8 | 54.7 |
| Singapore | 0.05 | 0.1 | 70.6 |
| Australia | -0.91 | 0.1 | 39.6 |
| Germany | 0.63 | unch. | 34.0 |
| South Africa | -0.09 | -0.2% | 30.1 |
| Hong Kong | 1.59 | -1.0 | 60.7 |
| Canada | -0.17 | -1.4 | 35.2 |
| Brazil | 0.68 | -2.0 | 108.2 |
| China 88 | 0.30 | -4.0 | 58.9 |

### Dow Jones Regional Sector Titans

| | | | |
|---|---|---|---|
| EU Enlarged†-p | 0.62% | 5.6% | 54.5% |
| Travel Leisure | 0.03 | 5.5 | 33.4 |
| Ind Gds Svcs | 0.07 | 5.1 | 50.6 |
| Asian 50 | -1.03 | 4.6 | 46.0 |
| Nordic 30 -p | 0.77 | 3.8 | 46.2 |
| Arab 50 | 0.28 | 2.8 | 30.0 |
| Global 50 | -0.33 | 1.2 | 37.3 |
| Stoxx 50 -p | 0.69 | 0.9 | 32.1 |
| Tiger 50* | 0.30 | 0.3 | 75.9 |
| Euro Stoxx 50 -p | 0.60 | -0.2% | 31.3 |

*Asia excluding Japan †15 companies from the new EU countries; Cyprus, CzechRepublic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia.

Source: Dow Jones Indexes

## Dow Jones Asia Titans: Tuesday's best and worst...

| Company | Country | Industry | Market value, in billions of US$ | Previous close, in local currency | STOCK PERFORMANCE Previous session | 52-week | Three-year |
|---|---|---|---|---|---|---|---|
| **China Constr Bk** | Hong Kong | Banks | $185.8 | 6.42 | 4.05% | 69.4% | 33.2% |
| **Indl Comm Bk China** | Hong Kong | Banks | 64.7 | 6.05 | 3.07 | 83.9 | 31.0 |
| **PetroChina** | Hong Kong | Integrated Oil Gas | 26.0 | 9.56 | 1.70 | 58.3 | -1.2 |
| **CNOOC** | Hong Kong | Exploration Production | 70.3 | 12.22 | 1.50 | 85.2 | 83.8 |
| **Sun Hung Kai Prop** | Hong Kong | Real Estate Hldg Dev | 36.3 | 109.80 | 1.10 | 66.1 | 11.2 |
| **Sumitomo Mitsui Finl** | Japan | Banks | $32.4 | 2,931 | -3.11% | -17.0 | -76.9 |
| **Panasonic** | Japan | Consumer Electronics | 34.0 | 1,494 | -2.61 | 29.8 | -38.3 |
| **Commonwlth Bk of Aus** | Australia | Banks | 79.2 | 56.64 | -2.43 | 115.0 | 13.4 |
| **Mitsubishi UFJ Finl** | Japan | Banks | 74.2 | 486.00 | -2.41 | -3.2 | -68.2 |
| **Samsung Elec** | South Korea | Semiconductors | 107.6 | 823,000 | -2.37 | 77.4 | 38.1 |

## ...And the rest of Asia's blue chips

| Company/Country (Industry) | Market value, in billions (U.S) | Latest, in local currency | STOCK PERFORMANCE Latest | 52-week | Three-year |
|---|---|---|---|---|---|
| **KB Fncl Group** South Korea (Banks) | 19.3 | 56,500 | 1.07% | 72.4% | -20.9% |
| **POSCO** South Korea (Iron Steel) | 40.7 | 604,000 | 1.00 | 70.1 | 93.0 |
| **China Mobile (HK)** Hong Kong (Mobile Telecommunications) | 198.9 | 77.65 | 0.98 | 11.0 | 2.6 |
| **Shinhan Financial Grp** South Korea (Banks) | 17.8 | 42,400 | 0.95 | 55.6 | -9.7 |
| **China Life Ins** Hong Kong (Life Insurance) | 35.5 | 37.05 | 0.95 | 68.8 | 53.7 |
| **Cheung Kong** Hong Kong (Real Estate Holding Development) | 29.8 | 100.00 | 0.86 | 40.9 | -5.5 |
| **Kansai Elec Power** Japan (Conventional Electricity) | 22.4 | 2,134 | 0.42 | -9.2 | -33.1 |
| **Tokyo Elec Power** Japan (Conventional Electricity) | 36.7 | 2,473 | 0.32 | -10.4 | -35.6 |
| **Hutchison Whampoa** Hong Kong (Diversified Industrials) | 31.6 | 57.45 | 0.26 | 54.2 | -29.4 |
| **KDDI** Japan (Mobile Telecommunications) | 26.1 | 538,000 | 0.19 | -1.7 | -36.6 |
| **Aus NZ Bk** Australia (Banks) | 53.5 | 23.20 | 0.13 | 69.3 | -19.2 |
| **Nippon T&T** Japan (Fixed Line Telecommunications) | 58.0 | 3,990 | ... | -11.3 | -35.8 |
| **National Australia Bk** Australia (Banks) | 53.0 | 27.45 | -0.18 | 49.3 | -32.2 |
| **Seven I Hldgs** Japan (Broadline Retailers) | 20.3 | 2,050 | -0.24 | -16.7 | -45.2 |
| **Takeda Pharm** Japan (Pharmaceuticals) | 34.1 | 3,935 | -0.25 | -6.8 | -50.4 |
| **Nintendo** Japan (Toys) | 36.1 | 25,720 | -0.27 | -20.7 | -20.4 |
| **BHP Billiton** Australia (General Mining) | 133.8 | 43.31 | -0.30 | 49.6 | 71.3 |
| **RioZim Ltd** Australia (General Mining) | 43.6 | 77.95 | -0.47 | 160.0 | 34.2 |
| **Taiwan Smcndtr Mfg** Taiwan (Semiconductors) | 50.8 | 62.50 | -0.64 | 58.6 | -7.8 |
| **Sony** Japan (Consumer Electronics) | 33.5 | 3,065 | -0.81 | 51.4 | -46.0 |

| Company/Country (Industry) | Market value, in billions (U.S) | Latest, in local currency | STOCK PERFORMANCE Latest | 52-week | Three-year |
|---|---|---|---|---|---|
| **Westfield Grp** Australia (Retail REITs) | 26.5 | 12.48 | -1.03% | 2.0% | -41.0% |
| **JFE Hldgs** Japan (Iron Steel) | 19.5 | 3,365 | -1.03 | 37.9 | -47.1 |
| **Woodside Petroleum** Australia (Exploration Production) | 30.9 | 46.75 | -1.04 | 39.8 | 27.5 |
| **Nippon Steel** Japan (Iron Steel) | 25.5 | 369.00 | -1.07 | 29.9 | -46.9 |
| **NTT DoCoMo** Japan (Mobile Telecommunications) | 62.4 | 136,200 | -1.09 | -14.1 | -27.9 |
| **QBE Ins Grp** Australia (Reinsurance) | 22.4 | 23.76 | -1.12 | 1.5 | -22.5 |
| **Woolworths** Australia (Food Retailers Wholesalers) | 31.2 | 27.50 | -1.15 | 6.6 | 17.0 |
| **Westpac Bking** Australia (Banks) | 68.9 | 25.70 | -1.19 | 65.8 | 3.2 |
| **Toyota Motor** Japan (Automobiles) | 143.1 | 4,140 | -1.19 | 33.6 | -48.3 |
| **Mitsui** Japan (Industrial Suppliers) | 29.2 | 1,468 | -1.21 | 61.0 | -19.7 |
| **East Japan Railway** Japan (Travel Tourism) | 27.0 | 6,210 | -1.27 | -4.0 | -27.4 |
| **Hon Hai Precision Ind** Taiwan (Electrical Components Equipment) | 39.9 | 149.00 | -1.32 | 183.2 | -4.7 |
| **Canon** Japan (Electronic Office Equipment) | 51.6 | 3,810 | -1.42 | 36.8 | -41.8 |
| **Nissan Motor** Japan (Automobiles) | 34.3 | 768.00 | -1.54 | 134.9 | -49.9 |
| **Mizuho Financial Grp** Japan (Banks) | 28.9 | 187.00 | -1.58 | -18.0 | -79.4 |
| **Japan Tobacco** Japan (Tobacco) | 34.7 | 329,500 | -1.93 | 29.2 | -44.2 |
| **Mitsubishi** Japan (Industrial Suppliers) | 43.3 | 2,404 | -2.00 | 90.3 | 4.5 |
| **Tokio Marine Hldgs** Japan (Property Casualty Insurance) | 22.5 | 2,600 | -2.07 | 14.5 | -43.1 |
| **Honda Motor** Japan (Automobiles) | 66.2 | 3,300 | -2.08 | 54.9 | -31.5 |
| **Shin-Etsu Chml** Japan (Specialty Chemicals) | 24.5 | 5,250 | -2.23 | 24.1 | -35.4 |

Sources: Dow Jones Indexes; WSJ Market Data Group

# Tracking credit markets & dealmakers

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## Hedge funds

| Dow Jones Hedge Benchmark | TOTAL RETURN for rolling periods, net of fees* One week | One month | One quarter | Year to date | One year |
|---|---|---|---|---|---|
| **Merger Arbitrage** | 0.19% | 0.51% | 1.4% | 0.1% | 7.1% |
| **Event Driven** | 0.08 | 1.68 | 3.1 | 1.0 | 15.1 |
| **Equity Long/Short** | 0.62 | 3.36 | 2.2 | 2.3 | 6.3 |

*Estimates as of 01/14/10, after fees; Source: www.djhedgefundindexes.com

## Credit derivatives

Spreads on credit derivatives are one way the market rates creditworthiness. Regions that are treading in rough waters can see spreads swing toward the maximum—and vice versa. Indexes below are for five-year swaps.

### Markit iTraxx Indexes

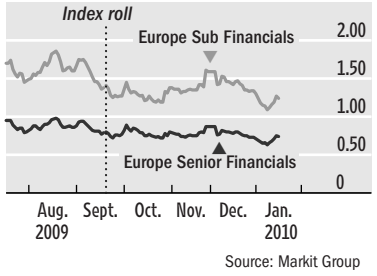
| Index: series/version | Mid-spread, in pct. pts. | Mid-price | Coupon | SPREAD RANGE, in pct. pts. since most recent roll Maximum | Minimum | Average |
|---|---|---|---|---|---|---|
| **Europe:** 12/1 | 0.73 | 101.25% | 0.01% | 1.00 | 0.65 | 0.83 |
| **Eur. High Volatility:** 12/1 | 1.03 | 99.86 | 0.01 | 1.76 | 0.92 | 1.32 |
| **Europe Crossover:** 12/1 | 4.07 | 103.76 | 0.05 | 6.15 | 3.79 | 5.03 |
| **Asia ex-Japan IG:** 12/1 | 0.95 | 100.21 | 0.01 | 1.29 | 0.87 | 1.05 |
| **Japan:** 12/1 | 1.27 | 98.73 | 0.01 | 1.68 | 0.99 | 1.32 |

Note: Data as of January 18

### Spreads

Spreads on five-year swaps for corporate debt; based on Markit iTraxx indexes.

*In percentage points*




Source: Markit Group

## Credit-default swaps: Asian companies

At its most basic, the pricing of credit-default swaps measures how much a buyer has to pay to purchase-and how much a seller demands to sell-protection from default on an issuer's debt. The snapshot below gives a sense which way the market was moving yesterday.

### Showing the biggest improvement...

| | Yesterday | CHANGE, in basis points Yesterday | Five-day | 28-day |
|---|---|---|---|---|
| **Yokogawa Elec** | 80 | -3 | -8 | -16 |
| **Cnooc** | 67 | -2 | 2 | -4 |
| **Shimizu** | 160 | -2 | ... | -24 |
| **Aeon** | 157 | -2 | -5 | -11 |
| **Kyushu Elec Pwr** | 29 | -2 | -2 | -2 |
| **Suzuki Mtr** | 65 | -1 | -1 | -6 |
| **Wharf Hldgs** | 76 | -1 | -3 | -7 |
| **Chubu Elec Pwr** | 30 | -1 | -2 | -1 |
| **Daiwa Secs** | 122 | -1 | ... | -15 |
| **SP Powerassets** | 41 | -1 | -2 | 1 |

### And the most deterioration

| | Yesterday | CHANGE, in basis points Yesterday | Five-day | 28-day |
|---|---|---|---|---|
| **Marubeni** | 173 | 6 | 3 | -38 |
| **Mazda Mtr** | 195 | 6 | 1 | -24 |
| **SK Energy** | 106 | 6 | 5 | ... |
| **Bk of Tokyo Mitsubishi UFJ** | 83 | 6 | 9 | 7 |
| **Sumitomo Rlty Dev** | 231 | 7 | 3 | -41 |
| **ORIX Corp** | 238 | 9 | -2 | -76 |
| **Softbank** | 386 | 9 | -18 | -48 |
| **Sanyo Shinpan Fin** | 575 | 17 | -71 | -317 |
| **Promise** | 575 | 19 | -85 | -327 |
| **Acom** | 234 | 20 | 20 | -68 |

Source: Markit Group

## Behind Europe's deals: Bank revenue rankings, UK

Behind every IPO, bond offering, merger deal or syndicated loan is one or more investment banks. Here are investment banks ranked by year-to-date revenues from recent deals.

| | Revenue, in millions | Market share | PERCENTAGE OF TOTAL REVENUE Equity capital markets | Debt capital markets | Mergers & acquisitions | Loans |
|---|---|---|---|---|---|---|
| **JPMorgan** | $599 | 12.3% | 74% | 9% | 16% | 1% |
| **RBS** | 432 | 8.9 | 55 | 37 | 3 | 4 |
| **UBS** | 333 | 6.9 | 53 | 4 | 42 | ... |
| **Goldman Sachs** | 306 | 6.3 | 55 | 18 | 27 | ... |
| **Citi** | 292 | 6.0 | 54 | 11 | 34 | 1 |
| **Credit Suisse** | 291 | 6.0 | 77 | 8 | 13 | 1 |
| **Barclays Capital** | 265 | 5.5 | 15 | 63 | 14 | 7 |
| **Bank of America Merrill Lynch** | 236 | 4.9 | 72 | 13 | 14 | 1 |
| **Morgan Stanley** | 231 | 4.8 | 58 | 12 | 30 | 1 |

Source: Dealogic

# GLOBAL MARKETS LINEUP

## Commodities

Prices of futures contracts with the most open interest

**EXCHANGE LEGEND: CBOT:** Chicago Board of Trade; **CME:** Chicago Mercantile Exchange; **NYBOT:** New York Board of Trade; **MDEX:** Bursa Malaysia Derivatives Berhad; **LIFFE:** London International Financial Futures Exchange; **LME:** London Mercantile Exchange; **NYMEX:** New York Mercantile Exchange; **ICE:** IntercontinentalExchange

| Commodity | Exchange | Last price | ONE-DAY CHANGE Net | ONE-DAY CHANGE Percentage | Contract high | Contract low |
|---|---|---|---|---|---|---|
| **Corn** (cents/bu.) | CBOT | **371.75** | 0.25 | **0.07%** | 712.25 | 315.50 |
| **Soybeans** (cents/bu.) | CBOT | **972.50** | -1.50 | **-0.15%** | 1,560.00 | 805.00 |
| **Wheat** (cents/bu.) | CBOT | **501.50** | -8.50 | **-1.67** | 1,029.25 | 459.00 |
| **Live cattle** (cents/lb.) | CME | **90.525** | -0.025 | **-0.03** | 95.175 | 85.050 |
| **Cocoa** ($/ton) | ICE-US | **3,446** | 46 | **1.35** | 3,510 | 1,994 |
| **Coffee** (cents/lb.) | ICE-US | **141.60** | 0.85 | **0.60** | 188.65 | 115.00 |
| **Sugar** (cents/lb.) | ICE-US | **28.02** | 0.40 | **1.45** | 28.95 | 11.91 |
| **Cotton** (cents/lb.) | ICE-US | **72.20** | 0.12 | **0.17** | 84.00 | 49.67 |
| **Crude palm oil** (ringgit/ton) | MDEX | **2,483.00** | -3 | **-0.12** | 3,580 | 1,487 |
| **Cocoa** (pounds/ton) | LIFFE | **2,309** | 19 | **0.83** | 2,337 | 1,310 |
| **Robusta coffee** ($/ton) | LIFFE | **1,370** | -6 | **-0.44** | 1,710 | 1,300 |
| **Copper** (cents/lb.) | COMEX | **342.90** | 6.30 | **1.87** | 365.00 | 135.50 |
| **Gold** ($/troy oz.) | COMEX | **1133.50** | 3.40 | **0.30** | 1,227.50 | 762.30 |
| **Silver** (cents/troy oz.) | COMEX | **1866.00** | 23.30 | **1.26** | 2,011.50 | 1,045.00 |
| **Aluminum** ($/ton) | LME | **2,272.00** | -48.00 | **-2.07** | 2,356.50 | 1,288.00 |
| **Tin** ($/ton) | LME | **17,675.00** | -320.00 | **-1.78** | 18,250.00 | 9,945.00 |
| **Copper** ($/ton) | LME | **7,474.50** | -45.50 | **-0.61** | 7,695.00 | 3,085.00 |
| **Lead** ($/ton) | LME | **2,440.00** | -35.00 | **-1.41** | 2,615.00 | 995.00 |
| **Zinc** ($/ton) | LME | **2,476.00** | -28.00 | **-1.12** | 2,659.00 | 1,086.00 |
| **Nickel** ($/ton) | LME | **18,655** | -90 | **-0.48** | 21,150 | 9,475 |
| **Crude oil** ($/bbl.) | NYMEX | **77.57** | -0.43 | **-0.55** | 141.30 | 48.78 |
| **Heating oil** ($/gal.) | NYMEX | **2.0172** | -0.0407 | **-1.98** | 3.5280 | 1.3800 |
| **RBOB gasoline** ($/gal.) | NYMEX | **2.0381** | -0.0209 | **-1.02** | 2.2003 | 1.2176 |
| **Natural gas** ($/mmBtu) | NYMEX | **5.500** | -0.171 | **-3.02** | 12.590 | 4.550 |
| **Brent crude** ($/bbl.) | ICE-EU | **76.35** | -0.75 | **-0.97** | 98.10 | 49.10 |
| **Gas oil** ($/ton) | ICE-EU | **616.00** | -7.50 | **-1.20** | 875.00 | 450.50 |

Source: Thomson Reuters; WSJ Market Data Group

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## Currencies

London close on Jan. 19

| AMERICAS | Per euro | In euros | Per U.S. dollar | In U.S. dollars |
|---|---|---|---|---|
| **Argentina** peso-a | 5.4308 | 0.1841 | 3.8020 | 0.2630 |
| **Brazil** real | 2.5318 | 0.3950 | 1.7725 | 0.5642 |
| **Canada** dollar | 1.4738 | 0.6785 | 1.0318 | 0.9692 |
| 1-mo. forward | 1.4738 | 0.6785 | 1.0318 | 0.9692 |
| 3-mos. forward | 1.4738 | 0.6785 | 1.0318 | 0.9692 |
| 6-mos. forward | 1.4741 | 0.6784 | 1.0320 | 0.9690 |
| **Chile** peso | 703.84 | 0.001421 | 492.75 | 0.002029 |
| **Colombia** peso | 2788.31 | 0.0003586 | 1952.05 | 0.0005123 |
| **Ecuador** US dollar-f | 1.4284 | 0.7001 | 1 | 1 |
| **Mexico** peso-a | 18.0928 | 0.0553 | 12.6665 | 0.0789 |
| **Peru** sol | 4.0774 | 0.2453 | 2.8545 | 0.3503 |
| **Uruguay** peso-e | 27.854 | 0.0359 | 19.500 | 0.0513 |
| **U.S.** dollar | 1.4284 | 0.7001 | 1 | 1 |
| **Venezuela** bolivar | 6.13 | 0.163013 | 4.29 | 0.232848 |
| **ASIA-PACIFIC** | | | | |
| **Australia** dollar | 1.5466 | 0.6466 | 1.0827 | 0.9236 |
| **China** yuan | 9.7527 | 0.1025 | 6.8277 | 0.1465 |
| **Hong Kong** dollar | 11.0880 | 0.0902 | 7.7625 | 0.1288 |
| **India** rupee | 65.3707 | 0.0153 | 45.7650 | 0.0219 |
| **Indonesia** rupiah | 13184 | 0.0000758 | 9230 | 0.0001083 |
| **Japan** yen | 130.26 | 0.007677 | 91.19 | 0.010966 |
| 1-mo. forward | 130.24 | 0.007678 | 91.18 | 0.010968 |
| 3-mos. forward | 130.20 | 0.007681 | 91.15 | 0.010971 |
| 6-mos. forward | 130.11 | 0.007686 | 91.09 | 0.010978 |
| **Malaysia** ringgit-c | 4.7701 | 0.2096 | 3.3395 | 0.2994 |
| **New Zealand** dollar | 1.9354 | 0.5167 | 1.3549 | 0.7381 |
| **Pakistan** rupee | 120.900 | 0.0083 | 84.640 | 0.0118 |
| **Philippines** peso | 65.671 | 0.0152 | 45.975 | 0.0218 |
| **Singapore** dollar | 1.9861 | 0.5035 | 1.3905 | 0.7192 |
| **South Korea** won | 1614.52 | 0.0006194 | 1130.30 | 0.0008847 |
| **Taiwan** dollar | 45.487 | 0.02198 | 31.845 | 0.03140 |
| **Thailand** baht | 47.002 | 0.02128 | 32.905 | 0.03039 |

| EUROPE | Per euro | In euros | Per U.S. dollar | In U.S. dollars |
|---|---|---|---|---|
| **Euro zone** euro | 1 | 1 | 0.7001 | 1.4284 |
| 1-mo. forward | 1.0001 | 0.9999 | 0.7001 | 1.4283 |
| 3-mos. forward | 1.0002 | 0.9998 | 0.7003 | 1.4281 |
| 6-mos. forward | 1.0007 | 0.9993 | 0.7005 | 1.4275 |
| **Czech Rep.** koruna-b | 25.840 | 0.0387 | 18.091 | 0.0553 |
| **Denmark** krone | 7.4420 | 0.1344 | 5.2100 | 0.1919 |
| **Hungary** forint | 267.68 | 0.003736 | 187.40 | 0.005336 |
| **Norway** krone | 8.1377 | 0.1229 | 5.6971 | 0.1755 |
| **Poland** zloty | 4.0131 | 0.2492 | 2.8095 | 0.3559 |
| **Russia** ruble-d | 42.308 | 0.02364 | 29.619 | 0.03376 |
| **Sweden** krona | 10.1218 | 0.0988 | 7.0861 | 0.1411 |
| **Switzerland** franc | 1.4762 | 0.6774 | 1.0335 | 0.9676 |
| 1-mo. forward | 1.4759 | 0.6776 | 1.0333 | 0.9678 |
| 3-mos. forward | 1.4754 | 0.6778 | 1.0329 | 0.9681 |
| 6-mos. forward | 1.4744 | 0.6783 | 1.0322 | 0.9688 |
| **Turkey** lira | 2.0824 | 0.4802 | 1.4579 | 0.6859 |
| **U.K.** pound | 0.8725 | 1.1461 | 0.6109 | 1.6371 |
| 1-mo. forward | 0.8727 | 1.1458 | 0.6110 | 1.6367 |
| 3-mos. forward | 0.8731 | 1.1453 | 0.6113 | 1.6360 |
| 6-mos. forward | 0.8737 | 1.1445 | 0.6117 | 1.6348 |
| **MIDDLE EAST/AFRICA** | | | | |
| **Bahrain** dinar | 0.5385 | 1.8570 | 0.3770 | 2.6526 |
| **Egypt** pound-a | 7.7459 | 0.1291 | 5.4228 | 0.1844 |
| **Israel** shekel | 5.2669 | 0.1899 | 3.6873 | 0.2712 |
| **Jordan** dinar | 1.0117 | 0.9884 | 0.7083 | 1.4118 |
| **Kuwait** dinar | 0.4096 | 2.4414 | 0.2868 | 3.4872 |
| **Lebanon** pound | 2146.17 | 0.0004659 | 1502.50 | 0.0006656 |
| **Saudi Arabia** riyal | 5.3570 | 0.1867 | 3.7504 | 0.2666 |
| **South Africa** rand | 10.5826 | 0.0945 | 7.4087 | 0.1350 |
| **United Arab** dirham | 5.2464 | 0.1906 | 3.6730 | 0.2723 |
| **SDR** -f | 0.9108 | 1.0979 | 0.6376 | 1.5683 |

a-floating rate b-commercial rate c-government rate c-commercial rate d-Russian Central Bank rate f-Special Drawing Rights from the International Monetary Fund ; based on exchange rates for U.S., British and Japanese currencies.
Note: Based on trading among banks in amounts of $1 million and more, as quoted by Thomson Reuters.

## Major stock market indexes

Stock indexes from around the world, grouped by region. Shown in local-currency terms.

| Price-to-earnings ratio* | Region/Country | Index | PREVIOUS SESSION Close | PREVIOUS SESSION Net change | PREVIOUS SESSION Percentage change | PERFORMANCE Yr.-to-date | PERFORMANCE 52-wk. |
|---|---|---|---|---|---|---|---|
| 54 | **ASIA-PACIFIC** | DJ Asia-Pacific | 128.12 | -1.00 | **-0.77%** | 4.1% | 47.1% |
| ... | Australia | SPX/ASX 200 | 4861.23 | -49.83 | **-1.01** | -0.2 | 39.8 |
| ... | China | CBN 600 | 29009.71 | 42.03 | **0.15%** | -0.1 | 75.2 |
| 20 | Hong Kong | Hang Seng | 21677.98 | 217.97 | **1.02** | -0.9 | 67.3 |
| 20 | India | Sensex | 17486.06 | -155.02 | **-0.88** | 0.1 | 92.1 |
| ... | Indonesia | Jakarta Composite | 2666.071 | 23.523 | **0.89** | 5.2 | 98.3 |
| ... | Japan | Nikkei Stock Average | 10764.90 | -90.18 | **-0.83** | 2.1 | 33.5 |
| ... | | Topix | 949.76 | -7.79 | **-0.81** | 4.6 | 18.0 |
| ... | Malaysia | Kuala Lumpur Composite | 1300.35 | 2.36 | **0.18** | 2.2 | 47.7 |
| ... | New Zealand | NZSX-50 | 3227.592 | -19.512 | **-0.60** | -0.1 | 19.1 |
| 9 | Pakistan | KSE 100 | 9954.41 | 58.95 | **0.60** | 6.0 | 89.3 |
| 15 | Philippines | Manila Composite | 3084.57 | -21.73 | **-0.70** | 1.0 | 62.5 |
| ... | Singapore | Straits Times | 2912.92 | 0.90 | **0.03** | 0.5 | 69.0 |
| 11 | South Korea | Kospi | 1710.22 | -1.56 | **-0.09** | 1.6 | 51.8 |
| 20 | Taiwan | Weighted | 8249.00 | -88.82 | **-1.07** | 0.7 | 94.4 |
| 10 | Thailand | SET | 736.48 | -10.41 | **-1.39** | 0.3 | 70.0 |
| 50 | **EUROPE** | DJ Stoxx 600 | 260.27 | 2.06 | **0.80** | 2.8 | 40.2 |
| 22 | | DJ Stoxx 50 | 2634.45 | 26.77 | **1.03** | 2.2 | 36.1 |
| 62 | **Euro Zone** | DJ Euro Stoxx | 278.77 | 1.98 | **0.72%** | 1.5% | 37.4% |
| 20 | | DJ Euro Stoxx 50 | 2984.56 | 26.69 | **0.90** | 0.6 | 35.6 |
| 19 | Denmark | OMX Copenhagen | 337.37 | 0.44 | **0.13** | 6.9 | 46.6 |
| 21 | Finland | OMX Helsinki | 6675.32 | 16.89 | **0.25** | 3.4 | 31.3 |
| 19 | France | CAC-40 | 4009.67 | 32.21 | **0.81** | 1.9 | 37.1 |
| 21 | Germany | DAX | 5976.48 | 57.93 | **0.98** | 0.3 | 41.0 |
| 16 | Italy | FTSE MIB | 23705.67 | 195.91 | **0.83** | 2.0 | 31.5 |
| ... | Netherlands | AEX | 341.61 | 2.58 | **0.76** | 1.9 | 42.3 |
| ... | Russia | RTSI | 1580.67 | -0.42 | **-0.03%** | 10.8 | 207.3 |
| 11 | Spain | IBEX 35 | 12022.6 | 151.9 | **1.28** | 0.7 | 45.3 |
| 14 | Switzerland | SMI | 6633.86 | 30.08 | **0.46** | 1.3 | 24.7 |
| 12 | Turkey | ISE National 100 | 55159.60 | 608.77 | **1.12** | 4.4 | 123.2 |
| 15 | U.K. | FTSE 100 | 5513.14 | 18.75 | **0.34** | 1.9 | 34.7 |
| 22 | **AMERICAS** | DJ Americas | 303.57 | 1.33 | **0.44** | 2.4 | 46.4 |
| ... | Brazil | Bovespa | 69834.80 | 433.87 | **0.63** | 1.8 | 86.4 |
| ... | Argentina | Merval | 2373.47 | 1.61 | **0.07** | 2.3 | 121.9 |
| 21 | Mexico | IPC | 32460.16 | -22.57 | **-0.07** | 1.1 | 65.8 |

*P/E ratios use trailing 12-months, as-reported earnings
European and Americas index data are as of 12:00 p.m. ET.

Sources: Thomson Reuters; WSJ Market Data Group

**Reuters Group PLC** is the primary data provider for several statistical tables in The Wall Street Journal, including foreign stock quotations, futures and futures options prices, and foreign exchange tables. Reuters real-time data feeds are used to calculate various Dow Jones Indexes.

## Dow Jones and Dow Jones Stoxx Indexes

| Dividend yield* | Price-to-earnings ratio* | Dows Jones Index | Last | Net change | PERFORMANCE Daily | PERFORMANCE Year-to-date | PERFORMANCE 52-wk. | PERFORMANCE Three-yr., annualized |
|---|---|---|---|---|---|---|---|---|
| 2.10% | 22 | **DJ Global Index** | 233.08 | -0.03 | **-0.03%** | 51.0% | -0.0% | -5.8% |
| | | **Global DOW** | 2014.87 | -7.00 | **-7.00** | 48.6 | -0.3 | -2.1 |
| 2.26 | | **Asia/Pacific 600** | 120.22 | -1.28 | **-1.28** | 35.3 | -1.1 | -6.4 |
| 1.67 | 16 | **Emerging Markets** | 287.13 | -0.42 | **-0.42** | 98.1 | -0.1 | 4.8 |
| 2.06 | 54 | **Asia/Pacific** | 128.12 | -1.00 | **-1.00** | 47.1 | -0.8 | -4.3 |
| 2.32 | 18 | **Asia/Pacific ex-Japan** | 322.40 | -1.72 | **-1.72** | 90.2 | -0.5 | 1.5 |
| 2.46 | 24 | **Southeast Asia** | 164.71 | -1.19 | **-1.19** | 95.3 | -0.7 | 3.0 |
| 0.82 | 29 | **CBN China 600** -c | 29009.71 | 42.03 | **42.03** | 75.2 | 0.1 | 16.2 |
| 0.84 | 33 | **Shanghai** | 389.16 | 0.83 | **0.83** | 74.7 | 0.2 | 16.7 |
| 0.56 | 48 | **Shenzhen** | 427.02 | -0.29 | **-0.29** | 103.1 | -0.1 | 22.9 |
| 2.24 | 19 | **China Offshore 50** | 4043.14 | 75.36 | **75.36** | 71.3 | 1.9 | 7.4 |
| 7.42 | 10 | **Australia LPT** -c, d | 1144.21 | -18.84 | **-18.84** | 13.1 | -1.6 | -21.5 |

| Dividend yield* | Price-to-earnings ratio* | Dows Jones Index | Last | Net change | PERFORMANCE Daily | PERFORMANCE Year-to-date | PERFORMANCE 52-wk. | PERFORMANCE Three-yr., annualized |
|---|---|---|---|---|---|---|---|---|
| 2.02% | 16 | **Islamic Market** | 2028.98 | 2.17 | **2.17%** | 48.4% | 0.1% | -0.8% |
| 2.32 | 16 | **Islamic Market 100** | 2176.13 | 5.58 | **5.58** | 35.1 | 0.3 | -1.8 |
| 9.50 | 15 | **Bahrain** | 122.40 | -0.29 | **-0.29** | -14.3 | -0.2 | -13.5 |
| 2.94 | 36 | **Kuwait** | 192.56 | 0.45 | **0.45** | 13.7 | 0.2 | -16.2 |
| 2.53 | 21 | **Sustainability** | 1036.36 | -0.11 | **-0.11** | 52.2 | -0.0 | -6.8 |
| 2.72 | 50 | **Stoxx 600 -p** | 277.39 | 2.21 | **2.21** | 48.9 | 0.8 | -8.3 |
| 4.74 | 17 | **Stoxx Select Div 30 -p** | 1839.99 | 5.51 | **5.51** | 49.7 | 0.3 | -20.3 |
| 3.98 | 23 | **Euro Stoxx Sel Div 30 -p** | 2195.91 | 12.52 | **12.52** | 56.2 | 0.6 | -15.7 |
| 1.70 | 31 | **DJ U.S. TSM** | 11782.90 | 67.88 | **67.88** | 44.9 | 0.6 | -6.5 |
| 4.14 | 15 | **U.S. Select Dividend -d** | 663.39 | 3.30 | **3.30** | 34.5 | 0.5 | -9.4 |
| 4.71 | | **U.S. REIT** | 145.79 | 0.62 | **0.62** | 50.7 | 0.4 | -19.3 |
| | | **DJ-UBS Commodity -p** | 138.09 | -1.37 | **-1.37** | 22.4 | -1.0 | -4.7 |

*Fundamentals are based on data in U.S. dollar. Footnotes: c-in local currency. d-dividends reinvested. p-previous day. Note: All data as of 11:30 a.m. ET.

Source: Dow Jones Indexes

## Cross rates

U.S.-dollar and euro foreign-exchange rates in global trading

| | US$ | A$ | £ | C$ | YUAN | EURO | HK$ | RUPEE | RUPIAH | YEN | NZ$ | WON | RINGGIT | PH. PESO | S$ | S FRANC | TW$ | BAHT |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **U.S.** | | 1.083 | 0.611 | 1.032 | 6.828 | 0.700 | 7.762 | 45.765 | 9230.20 | 91.190 | 1.355 | 1130.30 | 3.339 | 45.975 | 1.390 | 1.033 | 31.845 | 32.905 |
| **Australia** | 0.924 | | 0.564 | 0.953 | 6.306 | 0.647 | 7.169 | 42.269 | 8525.01 | 84.223 | 1.251 | 1043.95 | 3.084 | 42.463 | 1.284 | 0.954 | 29.412 | 30.391 |
| **Britain** | 1.637 | 1.772 | | 1.689 | 11.177 | 1.146 | 12.708 | 74.920 | 15110.30 | 149.283 | 2.218 | 1850.36 | 5.467 | 75.263 | 2.276 | 1.692 | 52.132 | 53.867 |
| **Canada** | 0.969 | 1.049 | 0.592 | | 6.618 | 0.679 | 7.524 | 44.357 | 8946.16 | 88.384 | 1.313 | 1095.52 | 3.237 | 44.560 | 1.348 | 1.002 | 30.865 | 31.892 |
| **China** | 0.1465 | 0.159 | 0.089 | 0.151 | | 0.103 | 1.137 | 6.703 | 1351.88 | 13.356 | 0.198 | 165.55 | 0.489 | 6.734 | 0.204 | 0.151 | 4.664 | 4.819 |
| **Euro** | 1.428 | 1.547 | 0.873 | 1.474 | 9.753 | | 11.088 | 65.371 | 13184.42 | 130.256 | 1.935 | 1614.52 | 4.770 | 65.671 | 1.986 | 1.476 | 45.487 | 47.001 |
| **Hong Kong** | 0.129 | 0.139 | 0.079 | 0.133 | 0.880 | 0.090 | | 5.896 | 1189.08 | 11.747 | 0.175 | 145.61 | 0.430 | 5.923 | 0.179 | 0.133 | 4.102 | 4.239 |
| **India** | 0.0219 | 0.0237 | 0.0133 | 0.0225 | 0.1492 | 0.0153 | 0.1696 | | 201.69 | 1.9926 | 0.0296 | 24.70 | 0.0730 | 1.0046 | 0.0304 | 0.0226 | 0.6958 | 0.7190 |
| **Indonesia** | 0.0001 | 0.0001 | 0.0001 | 0.0001 | 0.0007 | 0.0001 | 0.0008 | 0.0050 | | 0.0099 | 0.0001 | 0.12 | 0.0004 | 0.0050 | 0.0002 | 0.0001 | 0.0035 | 0.0036 |
| **Japan** | 0.011 | 0.012 | 0.007 | 0.011 | 0.075 | 0.008 | 0.085 | 0.502 | 101.22 | | 0.015 | 12.40 | 0.037 | 0.504 | 0.015 | 0.011 | 0.349 | 0.361 |
| **New Zealand** | 0.738 | 0.799 | 0.451 | 0.761 | 5.039 | 0.517 | 5.729 | 33.777 | 6812.35 | 67.303 | | 834.22 | 2.465 | 33.932 | 1.026 | 0.763 | 23.503 | 24.286 |
| **South Korea** | 0.0009 | 0.0010 | 0.0005 | 0.0009 | 0.0060 | 0.0006 | 0.0069 | 0.0405 | 8.17 | 0.0807 | 0.0012 | | 0.0030 | 0.0407 | 0.0012 | 0.0009 | 0.0282 | 0.0291 |
| **Malaysia** | 0.299 | 0.324 | 0.183 | 0.309 | 2.045 | 0.210 | 2.324 | 13.704 | 2763.95 | 27.306 | 0.406 | 338.46 | | 13.767 | 0.416 | 0.309 | 9.536 | 9.853 |
| **Philippines** | 0.022 | 0.024 | 0.013 | 0.022 | 0.149 | 0.015 | 0.169 | 0.995 | 200.77 | 1.983 | 0.029 | 24.59 | 0.073 | | 0.030 | 0.022 | 0.693 | 0.716 |
| **Singapore** | 0.719 | 0.779 | 0.439 | 0.742 | 4.910 | 0.503 | 5.583 | 32.914 | 6638.28 | 65.583 | 0.974 | 812.90 | 2.402 | 33.065 | | 0.743 | 22.903 | 23.665 |
| **Switzerland** | 0.968 | 1.048 | 0.591 | 0.998 | 6.607 | 0.677 | 7.511 | 44.284 | 8931.44 | 88.238 | 1.311 | 1093.72 | 3.231 | 44.487 | 1.345 | | 30.814 | 31.840 |
| **Taiwan** | 0.031 | 0.034 | 0.019 | 0.032 | 0.214 | 0.022 | 0.244 | 1.437 | 289.85 | 2.864 | 0.043 | 35.49 | 0.105 | 1.444 | 0.044 | 0.032 | | 1.033 |
| **Thailand** | 0.030 | 0.033 | 0.019 | 0.031 | 0.207 | 0.021 | 0.236 | 1.391 | 280.51 | 2.771 | 0.041 | 34.35 | 0.101 | 1.397 | 0.042 | 0.031 | 0.968 | |

Source: Thomson Reuters via WSJ Market Data Group

## MSCI indexes

Developed and emerging-market regional and country indexes from MSCI Barra as of January. 19, 2010

| Dividend yield | Price-to-earnings ratio | Morgan Stanley Index | Last | LOCAL-CURRENCY PERFORMANCE Daily | YTD | 52-wk. |
|---|---|---|---|---|---|---|
| 2.40% | 27 | **ALL COUNTRY (AC) WORLD*** | 306.98 | 0.21% | **34.8%** | 34.8% |
| 2.40 | 28 | **World (Developed Markets)** | 1,198.22 | 0.22 | **30.2** | 30.2 |
| 1.80 | 117 | **World Small Cap** | 197.29 | 0.07 | **47.0** | 47.0 |
| 2.50 | 23 | **Kokusai (World ex-Japan)** | 1,181.96 | 0.34 | **32.5** | 32.5 |
| 2.90 | 28 | **EAFE** | 1,632.92 | 0.38 | **32.0** | 32.0 |
| 2.00 | 20 | **Emerging Markets (EM)** | 1,012.55 | 0.17 | **78.6** | 78.6 |
| 2.40 | 24 | **AC ASIA PACIFIC EX-JAPAN** | 426.64 | -0.02 | **72.5** | 72.5 |
| 2.00 | 24 | **AC Far East ex-Japan** | 456.61 | -0.40 | **67.4** | 67.4 |
| 1.70 | -35 | **Japan** | 600.77 | -0.95 | **13.4** | 13.4 |
| 1.90 | 21 | **China** | 64.02 | -1.09 | **57.0** | 57.0 |
| 0.80 | 40 | **China A (China Domestic)** | 3,354.90 | 0.72 | **93.4** | 93.4 |
| 2.60 | 24 | **Hong Kong** | 10,146.99 | -0.29 | **54.8** | 54.8 |
| 0.90 | 21 | **India** | 721.73 | 0.51 | **95.5** | 95.5 |
| 1.00 | 17 | **Korea** | 486.02 | 0.51 | **58.3** | 58.3 |
| 2.40 | 20 | **Malaysia** | 478.59 | -0.24 | **49.0** | 49.0 |
| 2.90 | 18 | **Singapore** | 1,621.47 | 0.05 | **62.7** | 62.7 |
| 2.50 | 248 | **Taiwan** | 300.43 | -0.54 | **73.3** | 73.3 |
| 2.90 | 19 | **Thailand** | 305.81 | -0.07 | **65.2** | 65.2 |
| 3.70 | 26 | **Australia** | 1,011.78 | 0.29 | **32.2** | 32.2 |
| 5.20 | 16 | **New Zealand** | 87.27 | -0.89 | **14.9** | 14.9 |
| 1.80 | 33 | **US BROAD MARKET** | 1,261.33 | 0.00 | **28.4** | 28.4 |
| 3.20 | 18 | **EUROPE** | 89.66 | 0.70 | **29.1** | 29.1 |

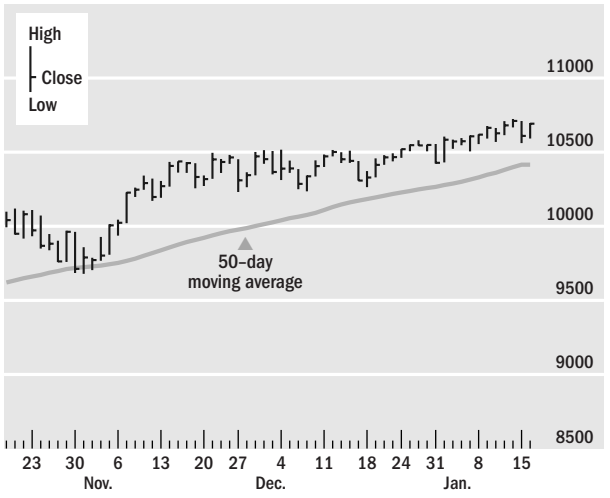
*Twenty-three developed and 26 emerging markets

Source: MSCI Barra

# SCANNING THE GLOBE

## Dow Jones Industrial Average P/E: 18

LAST: **10691.95** ▲ 82.30, or 0.78%
YEAR TO DATE: ▲ **263.90, or 2.5%**
OVER 52 WEEKS ▲ **2,742.86, or 34.5%**




## Nasdaq Composite Index P/E: 47*

LAST: **2312.52** ▲ 24.53, or 1.07%
YEAR TO DATE: ▲ **43.37, or 1.9%**
OVER 52 WEEKS ▲ **871.66, or 60.5%**

## S&P 500 Index P/E: 71

LAST: **1145.83** ▲ 9.80, or 0.86%
YEAR TO DATE: ▲ **30.73, or 2.8%**
OVER 52 WEEKS ▲ **340.61, or 42.3%**

*Price-to-earnings ratio for the Nasdaq 100 Note: Price-to-earnings ratios are for trailing 12 months

Sources: WSJ Market Data Group; Birinyi Associates

## DJIA component stocks

| Stock | Symbol | Volume, in millions | Latest | CHANGE Points | CHANGE Percentage |
|---|---|---|---|---|---|
| **AT&T** | T | **18.60** | $26.06 | 0.27 | **1.04%** |
| **Alcoa** | AA | **11.70** | 15.55 | -0.08 | **-0.51** |
| **AmExpress** | AXP | **3.50** | 42.88 | 0.49 | **1.16** |
| **BankAm** | BAC | **93.50** | 16.26 | 0.00 | **0.00** |
| **Boeing** | BA | **2.20** | 60.60 | -0.22 | **-0.36** |
| **Caterpillar** | CAT | **4.10** | 60.86 | 0.74 | **1.23** |
| **Chevron** | CVX | **3.70** | 78.95 | -0.28 | **-0.35** |
| **CiscoSys** | CSCO | **15.50** | 24.69 | 0.29 | **1.19** |
| **CocaCola** | KO | **2.80** | 56.23 | -0.06 | **-0.11** |
| **Disney** | DIS | **3.40** | 30.94 | 0.34 | **1.11** |
| **DuPont** | DD | **2.10** | 34.53 | 0.52 | **1.53** |
| **ExxonMobil** | XOM | **9.90** | 68.68 | -0.43 | **-0.62** |
| **GenElec** | GE | **27.60** | 16.56 | 0.12 | **0.73** |
| **HewlettPk** | HPQ | **4.50** | 52.54 | 0.07 | **0.13** |
| **HomeDpt** | HD | **4.90** | 28.68 | 0.11 | **0.39** |
| **Intel** | INTC | **40.00** | 21.00 | 0.20 | **0.96** |
| **IBM** | IBM | **4.80** | 132.75 | 0.97 | **0.74** |
| **JPMorgChas** | JPM | **18.60** | 43.26 | -0.42 | **-0.96** |
| **JohnsJohns** | JNJ | **8.00** | 65.58 | 1.02 | **1.58** |
| **KftFoods** | KFT | **25.40** | 28.98 | -0.60 | **-2.03** |
| **McDonalds** | MCD | **3.90** | 63.55 | 1.27 | **2.04** |
| **Merck** | MRK | **8.70** | 40.76 | 1.29 | **3.27** |
| **Microsoft** | MSFT | **18.10** | 31.04 | 0.18 | **0.58** |
| **Pfizer** | PFE | **34.80** | 19.93 | 0.44 | **2.26** |
| **ProctGamb** | PG | **4.90** | 61.55 | 0.73 | **1.20** |
| **3M** | MMM | **1.30** | 84.75 | 1.38 | **1.66** |
| **TravelersCos** | TRV | **1.10** | 49.25 | 0.46 | **0.94** |
| **UnitedTech** | UTX | **1.60** | 72.07 | 0.08 | **0.11** |
| **Verizon** | VZ | **12.40** | 31.03 | 0.45 | **1.47** |
| **WalMart** | WMT | **5.30** | 53.98 | 0.30 | **0.56** |

## U.S. stocks: most active...

| Stock | Symbol | Volume, in millions | Latest | CHANGE Points | CHANGE Percentage |
|---|---|---|---|---|---|
| **Citigroup** | C | **488.3** | $3.47 | $0.05 | **1.46%** |
| **BankAm** | BAC | **97.4** | 16.25 | –0.01 | **–0.06** |
| **SPDR S&P 500** | SPY | **69.6** | 114.55 | 0.91 | **0.80** |
| **SprintNextel** | S | **46.9** | 3.64 | –0.18 | **–4.84** |
| **PwrShrs QQQ** | QQQQ | **42.0** | 46.43 | 0.58 | **1.26** |
| **SPDR FnclSelSct** | XLF | **41.7** | 15.04 | 0.10 | **0.64** |
| **FordMotor** | F | **40.8** | 11.73 | 0.13 | **1.12** |
| **Intel** | INTC | **40.5** | 20.99 | 0.19 | **0.91** |
| **Pfizer** | PFE | **35.0** | 19.93 | 0.44 | **2.26** |
| **KftFoods** | KFT | **32.1** | 29.00 | –0.58 | **–1.96** |
| **iShrMSCIEmrgMkt** | EEM | **29.5** | 42.51 | 0.56 | **1.33** |
| **GenElec** | GE | **27.8** | 16.56 | 0.12 | **0.73** |
| **iShrRu2000** | IWM | **24.1** | 64.37 | 0.69 | **1.08** |
| **DrxFinancBear 3x** | FAZ | **21.8** | 17.15 | –0.34 | **–1.94** |
| **E Trade** | ETFC | **21.2** | 1.78 | –0.06 | **–3.26** |

## Biggest gainers...

| | | | | | |
|---|---|---|---|---|---|
| **AlldDefns** | ADG | **1,806.6** | $7.16 | $2.45 | **52.02%** |
| **Stratasys** | SSYS | **1,296.4** | 25.43 | 6.80 | **36.50** |
| **BrinksHomeSec** | CFL | **12,905.3** | 41.34 | 9.92 | **31.57** |
| **ChMedExprsWt** | CCME% | **143.1** | 8.05 | 1.70 | **26.77** |
| **NewCentBncp NC** | NCBC | **3.0** | 5.39 | 1.07 | **24.77** |

## ...Biggest losers

| | | | | | |
|---|---|---|---|---|---|
| **SupertelHspty pfA** | SPPRP | **3.0** | $7.02 | -$1.23 | **-14.91%** |
| **CentrueFnl** | TRUE | **14.7** | 3.05 | -0.48 | **-13.60** |
| **Servotrnics** | SVT | **12.0** | 9.49 | -1.15 | **-10.77** |
| **JaguarMng** | JAG | **1,147.0** | 11.53 | -1.27 | **-9.92** |
| **SussexBcp** | SBBX | **11.4** | 3.40 | -0.33 | **-8.85** |

## ADRs of Asian companies*

| 52-WEEK High | 52-WEEK Low | Stock | Symbol | Volume, in OOOs | Latest | CHANGE Points | CHANGE Percentage |
|---|---|---|---|---|---|---|---|
| $11.69 | $6.36 | **Taiwan Semi** | TSM | **6,981.6** | $10.86 | 0.26 | **2.45%** |
| 13.30 | 6.25 | **AU Optrncs** | AUO | **2,801.0** | 12.21 | -0.36 | **-2.86** |
| 4.24 | 1.65 | **Utd Microelectronics** | UMC | **2,191.5** | 4.09 | -0.07 | **-1.68** |
| 15.95 | 8.56 | **China Unicom** | CHU | **2,008.6** | 11.96 | -0.52 | **-4.16** |
| 82.74 | 33.09 | **BHP Billiton** | BHP | **1,804.8** | 80.59 | 1.34 | **1.69** |
| 6.84 | 3.71 | **Mitsu UFJ Fnl** | MTU | **1,091.1** | 5.37 | -0.13 | **-2.36** |
| 5.23 | 1.49 | **Adv Semi Engrg** | ASX | **906.0** | 4.66 | -0.04 | **-0.85** |
| 9.50 | 3.96 | **Nomura Hldgs** | NMR | **834.1** | 8.06 | -0.37 | **-4.39** |
| 8.19 | 3.78 | **Siliconware Prec Ind** | SPIL | **772.4** | 7.37 | -0.03 | **-0.41** |
| 59.22 | 40.20 | **China Mobile** | CHL | **732.6** | 50.45 | 0.45 | **0.90** |
| 18.03 | 6.85 | **Korea Elec Pwr** | KEP | **665.1** | 18.01 | 2.14 | **13.48** |
| 59.13 | 22.61 | **Infosys Tech** | INFY | **447.6** | 58.38 | 0.44 | **0.76** |
| 18.64 | 12.59 | **SK Telecom** | SKM | **327.0** | 18.12 | 0.06 | **0.33** |
| 4.68 | 1.50 | **SemiMfgInt** | SMI | **305.1** | 4.40 | -0.25 | **-5.38** |
| 20.34 | 11.30 | **KT Corp** | KT | **263.7** | 20.07 | 0.03 | **0.15** |
| 34.10 | 15.64 | **Sony** | SNE | **232.3** | 33.98 | 0.64 | **1.93** |
| 34.27 | 9.91 | **Aluminum Cp of China** | ACH | **225.4** | 31.32 | 0.28 | **0.90** |
| 25.65 | 5.11 | **Yanzhou Coal Mining** | YZC | **221.6** | 23.69 | -0.30 | **-1.25** |
| 19.56 | 15.05 | **ChunghwaTel** | CHT | **221.1** | 18.36 | 0.14 | **0.77** |
| 13.45 | 2.00 | **City Telecom** | CTEL | **219.8** | 12.47 | -0.24 | **-1.89** |
| 18.26 | 13.11 | **NTT DoCoMo** | DCM | **210.2** | 14.99 | -0.32 | **-2.09** |
| 34.43 | 21.60 | **Huaneng Power Intl** | HNP | **196.6** | 24.17 | 0.29 | **1.21** |
| 17.15 | 10.60 | **Matsushita Elec** | PC | **179.6** | 16.63 | -0.30 | **-1.80** |
| 37.23 | 20.28 | **Honda Motor** | HMC | **178.2** | 36.45 | -0.45 | **-1.22** |
| 150.50 | 47.09 | **POSCO** | PKX | **176.8** | 135.54 | 4.50 | **3.43** |
| 81.00 | 37.43 | **China Life Ins** | LFC | **165.3** | 71.63 | 1.10 | **1.56** |
| 94.00 | 46.45 | **China Petro & Chem** | SNP | **135.5** | 85.40 | 0.83 | **0.98** |
| 9.82 | 5.43 | **Telecom Corp of NZ** | NZT | **132.5** | 9.15 | -0.08 | **-0.87** |
| 87.45 | 24.85 | **ShinhanFnlGp** | SHG | **128.1** | 75.92 | -0.07 | **-0.09** |
| 7.74 | 2.00 | **Alumina** | AWC | **122.9** | 6.81 | 0.08 | **1.19** |

*Most active American depositary receipts tracked by Dow Jones

Source: WSJ Market Data Group

## Global government bonds

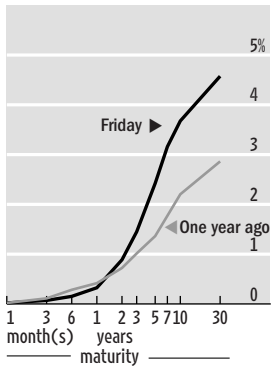
Latest, month-ago and year-ago yields and spreads over or under U.S. Treasurys on benchmark two-year and 10-year government bonds around the world. Data as of 11 a.m. ET

| Coupon | Country/ Maturity, in years | Yield | SPREAD OVER TREASURYS, in basis points: Latest | Previous | Month ago | Year ago | YIELD: Previous | Month ago | Year ago |
|---|---|---|---|---|---|---|---|---|---|
| 5.750% | **Australia** 2 | **4.440%** | **354.6** | 359.0 | 345.1 | **197.1** | **4.460%** | 4.248% | **2.696%** |
| 4.500 | 10 | **5.550** | **183.5** | 190.7 | 189.2 | **171.4** | **5.583** | 5.436 | **4.047** |
| 5.000 | **Austria** 2 | **1.609** | **71.5** | 80.5 | 11.4 | **84.0** | **1.675** | 0.911 | **1.565** |
| 3.900 | 10 | **3.732** | **1.7** | 6.4 | -0.9 | **158.8** | **3.740** | 3.535 | **3.921** |
| 2.000 | **Belgium** 2 | **1.445** | **55.1** | -0.5 | 22.8 | **95.8** | **0.865** | 1.025 | **1.683** |
| 3.750 | 10 | **3.871** | **15.6** | 18.5 | 0.8 | **170.1** | **3.861** | 3.552 | **4.034** |
| 1.250 | **Canada** 2 | **1.277** | **38.3** | 41.3 | 51.1 | **24.7** | **1.283** | 1.308 | **0.972** |
| 3.750 | 10 | **3.503** | **-21.2** | -19.4 | -13.7 | **37.0** | **3.482** | 3.407 | **2.703** |
| 4.000 | **Denmark** 2 | **1.937** | **104.3** | 103.4 | 117.9 | **180.9** | **1.904** | 1.976 | **2.534** |
| 4.000 | 10 | **3.578** | **-13.7** | -13.3 | -8.3 | **104.0** | **3.543** | 3.461 | **3.373** |
| 1.500 | **France** 2 | **1.070** | **17.6** | 16.3 | 33.3 | **101.0** | **1.033** | 1.130 | **1.735** |
| 3.750 | 10 | **3.520** | **-19.5** | -17.4 | -15.1 | **119.0** | **3.502** | 3.393 | **3.523** |
| 1.250 | **Germany** 2 | **1.194** | **30.0** | 27.6 | 36.0 | **80.7** | **1.146** | 1.157 | **1.532** |
| 3.250 | 10 | **3.284** | **-43.1** | -43.2 | -40.9 | **68.0** | **3.244** | 3.135 | **3.013** |
| 0.550 | **Hong Kong** 2 | **0.614** | **-28.0** | -27.3 | -30.3 | **-15.1** | **0.597** | 0.494 | **0.574** |
| 2.160 | 10 | **2.974** | **-74.1** | -72.3 | -111.4 | **-88.6** | **2.953** | 2.430 | **1.447** |
| 3.750 | **Italy** 2 | **1.426** | **53.2** | 51.5 | 68.5 | **181.8** | **1.385** | 1.482 | **2.543** |
| 4.250 | 10 | **4.059** | **34.4** | 37.5 | 43.1 | **208.6** | **4.051** | 3.975 | **4.419** |
| 0.200 | **Japan** 2 | **0.165** | **-72.9** | -70.5 | -63.2 | **-34.8** | **0.165** | 0.165 | **0.377** |
| 1.300 | 10 | **1.334** | **-238.1** | -235.8 | -230.7 | **-108.5** | **1.318** | 1.237 | **1.248** |
| 4.000 | **Netherlands** 2 | **0.699** | **-19.5** | -19.7 | 2.4 | **127.8** | **0.673** | 0.821 | **2.003** |
| 4.000 | 10 | **3.471** | **-24.4** | -23.0 | -18.7 | **139.6** | **3.446** | 3.357 | **3.729** |
| 3.200 | **Portugal** 2 | **1.301** | **40.7** | 36.7 | 44.8 | **137.6** | **1.237** | 1.245 | **2.101** |
| 4.750 | 10 | **4.212** | **49.7** | 51.1 | 37.0 | **191.3** | **4.187** | 3.914 | **4.246** |
| 5.350 | **Spain** 2 | **1.440** | **54.6** | 52.2 | 65.9 | **177.8** | **1.392** | 1.456 | **2.503** |
| 4.300 | 10 | **4.017** | **30.2** | 30.6 | 29.8 | **184.3** | **3.982** | 3.842 | **4.176** |
| 2.750 | **Switzerland** 2 | **0.608** | **-28.6** | -28.0 | -21.6 | **-17.9** | **0.590** | 0.581 | **0.546** |
| 2.250 | 10 | **2.067** | **-164.8** | -161.4 | -159.0 | **-6.3** | **2.062** | 1.954 | **2.270** |
| 3.250 | **U.K.** 2 | **1.340** | **44.6** | 34.4 | 33.3 | **88.4** | **1.214** | 1.130 | **1.609** |
| 4.500 | 10 | **4.032** | **31.7** | 24.3 | 22.4 | **109.7** | **3.919** | 3.768 | **3.430** |
| 1.000 | **U.S.** 2 | **0.894** | **...** | ... | ... | **...** | **0.870** | 0.797 | **0.725** |
| 3.375 | 10 | **3.715** | **...** | ... | ... | **...** | **3.676** | 3.544 | **2.333** |

Source: Thomson Reuters

## U.S. Treasury yield curve

The curve shows the yield to maturity of current bills, notes and bonds; all data as of 3 p.m. ET.




| Ryan Index | Yield to maturity | Modified duration | TOTAL RETURN Month to-date | Quarter to-date | Year to-date | 12-month |
|---|---|---|---|---|---|---|
| **30-year Treasury** | **4.575%** | 16.22 | 1.15% | 1.15% | 1.15% | –22.46% |
| **10-year Treasury** | **3.676** | 8.23 | 1.47 | 1.47 | 1.47 | –8.47 |
| **7 Year Treasury** | **3.159** | 6.18 | 1.55 | 1.55 | 1.55 | ... |
| **Five-year Treasury** | **2.423** | 4.62 | 1.32 | 1.32 | 1.32 | –0.20 |
| **Ryan Index** | **2.695** | 6.69 | 1.15 | 1.15 | 1.15 | –5.25 |
| **3 Year Treasury** | **1.450** | 2.93 | 0.86 | 0.86 | 0.86 | 1.86 |
| **Two-year Treasury** | **0.887** | 1.94 | 0.54 | 0.54 | 0.54 | 1.74 |
| **1 Year Treasury** | **0.325** | 0.99 | 0.16 | 0.16 | 0.16 | 1.14 |
| **Six-month Treasury** | **0.152** | 0.50 | 0.03 | 0.03 | 0.03 | 0.63 |
| **Ryan Cash Index-a** | **0.142** | 0.45 | 0.05 | 0.05 | 0.05 | 0.57 |
| **Three-month bill** | **0.071** | 0.25 | 0.01 | 0.01 | 0.01 | 0.37 |
| **One-month bill** | **0.020** | 0.07 | ... | ... | ... | 0.14 |

a-Performance of a cash investment

Source: Ryan ALM

## Key money rates

| | Latest | 52 wks ago |
|---|---|---|
| **Prime rates** | | |
| U.S. | **3.25%** | 3.25% |
| Canada | **2.25** | 3.50 |
| Japan | **1.475** | 1.475 |
| Britain | **0.50** | 1.50 |
| ECB | **1.00** | 2.00 |
| Switzerland | **0.53** | 0.53 |
| Australia | **3.75** | 4.25 |
| Hong Kong | **5.25** | n.a. |
| **Libor** | | |
| One month | **0.23063%** | 0.35250% |
| Three month | **0.24900** | 1.12250 |
| Six month | **0.39063** | 1.54500 |
| One year | **0.88000** | 1.83000 |

| | Latest | 52 wks ago |
|---|---|---|
| **Euro Libor** | | |
| One month | **0.39625%** | 2.01125% |
| Three month | **0.62125** | 2.36875 |
| Six month | **0.93438** | 2.44500 |
| One year | **1.20125** | 2.53250 |
| **Hibor** | | |
| One month | **0.05929** | 0.28929% |
| Three month | **0.12929** | 0.88857 |
| Six month | **0.25571** | 1.19571 |
| One year | **0.54857** | 1.69643 |
| **Asian dollars** | | |
| One month | **0.2416%** | 0.36% |
| Three month | **0.2586** | 1.1400 |
| Six month | **0.4080** | 1.5475 |
| One year | **0.8920** | 1.8275 |

| | Offer | Bid |
|---|---|---|
| **Eurodollars** | | |
| One month | **0.3000%** | 0.2000% |
| Three month | **0.3500** | 0.2500 |
| Six month | **0.5500** | 0.4500 |
| One year | **0.8000** | 0.7000 |

| | Latest | 52 wks ago |
|---|---|---|
| **U.S. discount** | **0.50%** | 0.50% |
| **Fed-funds target** | **0.25** | 0.25 |
| **Call money** | **2.00** | 2.00 |
| **Overnight repurchase rates** | | |
| U.S. | **0.23%** | 0.23% |
| U.K. (BBA) | **0.505** | 1.495 |
| Euro zone | **0.31** | 1.64 |

Sources: WSJ Market Data Group; Reuters

# MARKETS LINEUP

## Moving the markets

At right, Japan's benchmark stock index and the biggest movers among the larger Asian stocks indexes and stocks Tuesday. Below each index are its most actively traded stocks. The charts show the percentage change in each index's or stock's value, rather than the point change, for purposes of comparison. The index level or stock price is indicated on each axis. All indexes and stocks are shown in local currency terms.

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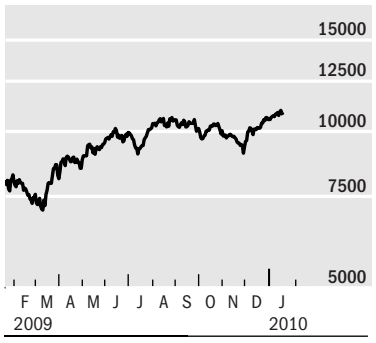
## Asian index movers...

### Nikkei Stock Average
Japan 10764.90
▼ **0.83% or 90.18**

A stronger yen hurt shares of exporters.; Canon fell 1.4%. Japan Airlines touched a new low as the company was expected to file for bankruptcy protection later Tuesday.




| Stock | Volume in millions | Close | Change Net | Change % |
|---|---|---|---|---|
| Mizuho Financial | **140.65** | 187 | –3 | –1.58 |
| Hitachi | **127.53** | 303 | 8 | 2.71 |
| Mtshbsh Fin Grp | **99.98** | 486 | –12 | –2.41 |
| Nippon Steel | **39.25** | 369 | –4 | –1.07 |
| Nippon Yusen | **37.74** | 342 | –2 | –0.58 |

### Hang Seng
Hong Kong 21677.98
▲ **1.02% or 217.97**

The index snapped a five-day losing streak, led by Chinese state-owned banks. Orient Overseas rose 6.2% after it agreed to sell its China property business to CapitaLand.

| Stock | Volume in millions | Close | Change Net | Change % |
|---|---|---|---|---|
| CCB | **415.17** | 6.42 | 0.25 | 4.05 |
| Bank Of China | **386.04** | 4.09 | 0.16 | 4.07 |
| Icbc | **348.10** | 6.05 | 0.18 | 3.07 |
| PetroChina | **112.98** | 9.56 | 0.16 | 1.70 |
| ChinaPetroChem | **104.88** | 6.66 | 0.11 | 1.68 |

### ASX 200
Australia 4861.23
▼ **1.01% or 49.83**

Profit-taking broke the index's three-day winning streak, with banks leading the declines. Travel retailer Flight Centre jumped to a one-year high on a profit upgrade.

| Stock | Volume in millions | Close | Change Net | Change % |
|---|---|---|---|---|
| Boart Longyear | **47.79** | 0.38 | –0.01 | –1.32 |
| Telstra | **46.24** | 3.33 | –0.04 | –1.19 |
| Goodman Grp-Stpl | **40.99** | 0.62 | –0.01 | –1.60 |
| Dexus Property | **30.75** | 0.82 | –0.02 | –2.38 |
| INGOfficeFund | **28.67** | 0.62 | 0.01 | 0.82 |

### Sensex
India 17486.06
▼ **0.88% or 155.02**

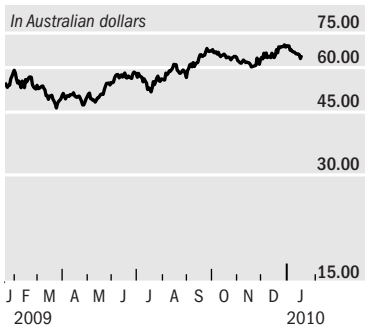
Technology and cement stocks, as well as Reliance Industries, paced the index's losses as profit-taking weighed on shares. Zee Entertainment fell on lower revenue.

| Stock | Volume in millions | Close | Change Net | Change % |
|---|---|---|---|---|
| Jaiprak Asso-A | **1.55** | 160.20 | –3.05 | –1.87 |
| Tata Steel-A | **1.52** | 637.75 | 0.15 | 0.02 |
| Reliance Com-A | **1.45** | 186.40 | –3.85 | –2.02 |
| Dlf-A | **1.44** | 380.20 | –7.05 | –1.82 |
| Hindalco-A | **0.83** | 162.85 | –4.40 | –2.63 |

## Asian stocks in the news

### Cochlear
Australia A$64.99
▲ **2.2% or A$1.39**

Shares posted gains after Citi raised its price target.




| | |
|---|---|
| Price-to-earnings ratio | **28** |
| Earnings per share, past four quarters | **2.34** |
| Dividend yield | **1.5** |

| | PERCENTAGE CHANGE Daily | 1 wk. | 52 wks |
|---|---|---|---|
| Health Care | **-0.5%** | -0.9% | 18.9% |
| Cochlear | **2.2%** | -0.9% | 19.4% |

### Hitachi
Japan ¥303
▲ **2.7% or ¥8**

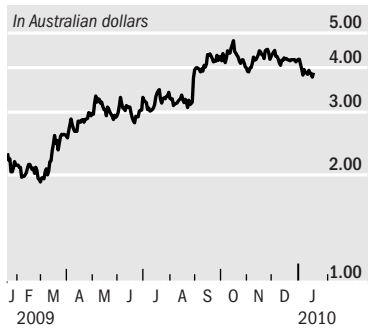
Nomura Securities raised its rating on the electronics maker to buy from neutral.

| | |
|---|---|
| Price-to-earnings ratio | **none** |
| Earnings per share, past four quarters | **-48.70** |
| Dividend yield | **none** |

| | PERCENTAGE CHANGE Daily | 1 wk. | 52 wks |
|---|---|---|---|
| Indus Gds & Svcs | **-1.0%** | -0.7% | 58.6% |
| Hitachi | **2.7%** | 2.4% | -11.9% |

### Harvey Norman Hldgs
Australia A$3.87
▲ **2.9% or A$0.11**

Chairman Gerry Harvey stuck to his previous guidance for fiscal 2010 first-half profit.




| | |
|---|---|
| Price-to-earnings ratio | **19** |
| Earnings per share, past four quarters | **0.20** |
| Dividend yield | **1.6** |

| | PERCENTAGE CHANGE Daily | 1 wk. | 52 wks |
|---|---|---|---|
| Retail | **-0.5%** | -0.6% | 37.7% |
| Harvey Norman Hldgs | **2.9%** | 1.0% | 68.3% |

### Sino Land
Hong Kong HK$14.88
▲ **3.3% or HK$0.48**

The company's shares reversed course after declining for six consecutive trading days.

| | |
|---|---|
| Price-to-earnings ratio | **42** |
| Earnings per share, past four quarters | **0.36** |
| Dividend yield | **2.7** |

| | PERCENTAGE CHANGE Daily | 1 wk. | 52 wks |
|---|---|---|---|
| Real Estate | **-0.1%** | -2.0% | 53.1% |
| Sino Land | **3.3%** | -2.0% | 103.8% |

### Computershare
Australia A$12.40
▲ **8.2% or A$0.94**

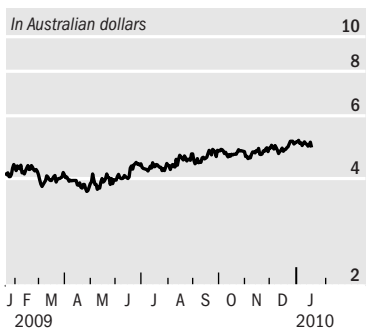
The firm upgraded its earnings outlook and said first-half EPS will be 20% higher.

| | |
|---|---|
| Price-to-earnings ratio | **22** |
| Earnings per share, past four quarters | **0.57** |
| Dividend yield | **0.9** |

| | PERCENTAGE CHANGE Daily | 1 wk. | 52 wks |
|---|---|---|---|
| Financial Services | **-1.0%** | -1.6% | 63.4% |
| Computershare | **8.2%** | 6.1% | 77.7% |

### Hlthscope
Australia A$4.89
▼ **3.4% or A$0.17**

Shares declined as Citi cut the firm to sell and lowered its price target.

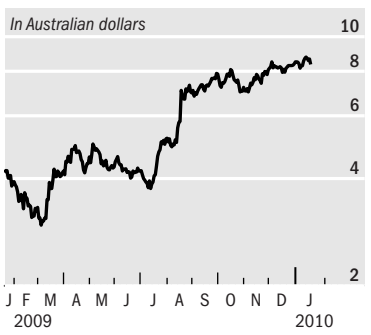



| | |
|---|---|
| Price-to-earnings ratio | **17** |
| Earnings per share, past four quarters | **0.29** |
| Dividend yield | **2.2** |

| | PERCENTAGE CHANGE Daily | 1 wk. | 52 wks |
|---|---|---|---|
| Health Care | **-0.5%** | -0.9% | 18.9% |
| Hlthscope | **-3.4%** | -2.4% | 17.5% |

### James Hardie Inds
Australia A$8.36
▼ **3.5% or A$0.30**

The building-materials company gave back gains from the previous session.




| | |
|---|---|
| Price-to-earnings ratio | **44** |
| Earnings per share, past four quarters | **0.19** |
| Dividend yield | **none** |

| | PERCENTAGE CHANGE Daily | 1 wk. | 52 wks |
|---|---|---|---|
| Constructn & Matl | **-0.7%** | -2.0% | 47.1% |
| James Hardie Inds | **-3.5%** | -3.8% | 97.2% |

### Elpida Memory Inc.
Japan ¥1,725
▼ **4.5% or ¥81**

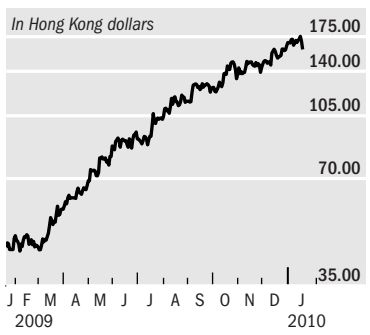
Chip makers dropped on recent declines in an index measuring prices of dynamic random access memory.

| | |
|---|---|
| Price-to-earnings ratio | **none** |
| Earnings per share, past four quarters | **-30.50** |
| Dividend yield | **none** |

| | PERCENTAGE CHANGE Daily | 1 wk. | 52 wks |
|---|---|---|---|
| Technology | **-1.9%** | 0.1% | 82.7% |
| Elpida Memory Inc. | **-4.5%** | 0.1% | 223.6% |

### Tencent Hldgs
Hong Kong HK$161.20
▼ **5.0% or HK$8.50**

Goldman Sachs cut the company's stock to neutral from buy.




| | |
|---|---|
| Price-to-earnings ratio | **57** |
| Earnings per share, past four quarters | **2.85** |
| Dividend yield | **0.2** |

| | PERCENTAGE CHANGE Daily | 1 wk. | 52 wks |
|---|---|---|---|
| Technology | **-1.9%** | 0.1% | 82.7% |
| Tencent Hldgs | **-5.0%** | -4.4% | 259.0% |

### Foxconn Intl
Hong Kong HK$10.34
▼ **6.0% or HK$0.66**

Investors locked in gains a day after the contract cellphone maker reached a 20-month high.

| | |
|---|---|
| Price-to-earnings ratio | **none** |
| Earnings per share, past four quarters | **-0.04** |
| Dividend yield | **none** |

| | PERCENTAGE CHANGE Daily | 1 wk. | 52 wks |
|---|---|---|---|
| Technology | **-1.9%** | 0.1% | 82.7% |
| Foxconn Intl | **-6.0%** | 8.2% | 270.6% |

HEARD ON THE STREET

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# Googling Baidu's problems with ad sales, top staff

When your biggest rival looks set to leave a market you already dominate, it must be good news.

Investors in **Baidu** Inc., which owns China's leading Internet search engine, certainly seem to think so. Its shares have jumped 22% in the week since **Google** Inc. said it is considering leaving China, no longer willing to accept Beijing's strictures on search results.

In fact, Baidu is seeing enough problems of its own to suggest investors' ebullience about its prospects is overdone, even if Google's potential retreat comes at an opportune moment.

Already this month, the company has lost two senior executives, the latest being its chief technology officer. This comes as Baidu struggles with a change to its advertising system. The shift, it has already forecast, means that in the fourth quarter it will leave 10 percentage points of potential revenue growth on the table, compared with the previous three months.

Its share of the Internet-search-engine market in China has been in decline too, as Google made ground. Baidu's share of market revenues fell to 58.4% in the last quarter of 2009, research firm Analysys estimates. That is still strong, but it is Baidu's lowest share for 2½ years.

Certainly, all of these worries could be offset by Google's departure from China. Even those who don't expect Baidu to gain all of Google's market share expect a positive impact. Credit Suisse says Baidu may only take a third of Google's lost revenues, but that would put its market share near 70%, an enviable position in a country now boasting nearly 400 million Internet users.

But with its shares already trading at more than 70 times expected earnings—three times the valuation a year ago—there certainly will be better times to buy into Baidu, especially given the potential for more negative news in the short term.

The problems with Baidu's advertising sales are likely to cloud the earnings outlook in 2010's first quarter. Nor should it be forgotten that the Google situation will take time to reach a clear resolution.

It may be the case that Baidu's problems prove temporary, leaving it the main beneficiary of the Google fallout. But in the Chinese Internet scene, nothing is a given right now.

*—Andrew Peaple*

**Rivals**

Performance of Google shares and Baidu ADS on Nasdaq this year

Sources: Thomson Reuters Datastream, Associated Press (photo)

# Will Japan Inc. absorb lessons of Japan Airlines' reckoning?

A good first step. **Japan Airlines**' bankruptcy filing Tuesday is being welcomed by those who are calling for more accountability in Japan Inc.'s affairs.

Too much, though, remains unresolved to issue a final ruling on this restructuring.

Unlike past government-funded bailouts that have left JAL's underlying problems unresolved, this time all of the carrier's major stakeholders look set to take a hit as those issues are addressed.

It's only fair. Each of these groups—former workers with enviable pensions, current employees who refused to concede enough job or pay cuts, and banks that kept lending under the assumption that Tokyo would cover them—has played a role in kicking JAL's structural problems down the road. JAL's three-year plan will slash the company's work force by about one-third and ditch 34 loss-making routes. Lenders to Japan's former flag carrier will forgive about $8.1 billion in loans, and shareholder equity will be wiped out. More than a few of JAL's indecisive executives, meanwhile, will also be replaced.

Credit to Tokyo for steering JAL into bankruptcy protection. But it is reasonable to wonder if the Democratic Party of Japan can sustain the political will to stand up to vested interests as it looks to cut jobs and routes. Meanwhile, JAL's new leadership faces a challenge in keeping travelers from deserting to **All Nippon Airways**, like they did several years ago amid worries about JAL's then-wobbly safety record.

For ANA, a different kind of uncertainty hangs in its future. Even if it wins some of JAL's customers, Japan's second carrier may find itself facing a leaner, more competitive rival in a few years. On the plus side, if the bankruptcy filing leads to a much needed restructuring of aviation policy, namely removing politics from route planning and cutting airport fees, that could be a boon to ANA and a revitalized JAL.

The ripple effects may not end there. Creditors and shareholders in other Japanese quasi-public or ex-state firms, such as highly leveraged utilities and railroads, may begin to wonder whether the tough love being meted out to JAL has fundamentally changed the status of those companies as "too big to fail."

The reckoning has caught up with JAL. But whether that lesson—not to shirk tough, unpopular decisions—sinks in for greater Japan is up in the air.

*—James Simms*

# Cadbury goes for the cookie dough

What's the difference between a good offer and a derisory one? In the case of **Cadbury**, it's 14%.

In recommending a sweeter 850 pence-a-share ($13.89) offer from **Kraft Foods**, Cadbury Chairman Roger Carr has yielded to the U.S. investors and hedge funds that dominate the chocolate maker's share register. Unlike U.K. institutions, they were keener to take Kraft Food's cash and shares today than to wait for Cadbury to realize its potential. At 13 times Cadbury's 2009 earnings before interest, tax, depreciation and amortization, the Kraft offer is at the low end of recent food-sector transaction multiples.

Kraft's bid is made up of 500 pence in cash, 340 pence in Kraft stock, plus a 10-pence dividend. In total, it is a 50% premium to Cadbury's pre-bid share price of 568 pence.

Kraft has raised its original offer by just 14%, but it has increased the cash component by two thirds, key in winning over shareholders. Many found a deal made up mostly of the stock of a low-growth conglomerate, to use Mr. Carr's phrase, unappetizing. Kraft sold its high-growth U.S. pizza business to sweeten its offer without taking on much more debt.

**Kraft raised the cash component of its bid by two-thirds, a key factor in winning over shareholders.**

Mr. Carr's bold talk about Cadbury's standalone prospects and Kraft's "derisory" initial 745 pence bid was only ever going to get him so far in the absence of a counterbid. None has materialized. **Hershey**, the one potential bidder left, has until Monday to enter the fray. But Mr. Carr has the satisfaction of knowing he transformed investors' views of Cadbury's value, showing how the acquisition of the Adams gum business and demerger of Schweppes turned Cadbury into a relatively fast-growing global company.

Cadbury and Kraft are a good fit: both geographically and by product, with opportunities for cross-selling in convenience stores and supermarkets. Estimated cost savings are significant at $675 million a year in three years, over and above Cadbury's cost-saving program. Taxed and capitalized, they are worth roughly $4.7 billion.

Kraft is raising its long-term growth targets by a percentage point to more than 5% for sales and by two points to 9% to 11% for earnings per share. That should sugar the pill, not just for anxious Kraft shareholders, but also for Cadbury investors about to be served the snack-foods giant's stock.

*—Matthew Curtin*

# Are investments in hedge funds next frontier in ETF world?

Exchange-traded funds are the investment phenomenon of the last decade, attracting more than $1 trillion of assets under management, up 46% in 2009 alone. But so far these index-following funds have tended to be used as a cost-effective way of managing broad market risk, rather than a source of the investment managers' Holy Grail: alpha, or market outperformance. Could that be changing?

**Marshall Wace**'s plan to launch a London-and-Frankfurt-listed ETF to track its TOPS strategy suggests the ETF revolution still has further to run. If the ETF succeeds in raising at least $500 million, as it expects, then others are sure to follow.

Marshall Wace's TOPS strategy—a trading system that attempts to identify the brokers whose recommendations most consistently deliver value—is well-suited to testing investor appetite. The underlying funds are highly liquid, investing almost entirely in large-cap stocks traded on major stock exchanges, so the ETF will have no problem offering daily liquidity. The six TOPS funds have returned, on average, 10.9% each year since launch.

The ETF market could open hedge funds to a much-wider investor base. Many investors are unwilling or unable to access offshore hedge funds, which typically have long lockups and restricted liquidity. ETFs offer daily liquidity and can be marketed across Europe. And unlike listed closed-end funds, an ETF is unlikely to trade at a persistent discount to net asset value.

ETFs may yet prove a Holy Grail for hedge-fund managers, too: a quick way to rebuild assets under management badly depleted by the crisis.

*—Simon Nixon*

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